

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, 1999

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
(State or other jurisdiction of
incorporation or organization)

39-1679918
(I.R.S. Employer
Identification No.)

2380 Railroad Street, Suite 101, Corona, California 92880-5471
(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, \$.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 \$23,336,957 computed by reference to the sale price for such stock on the Nasdaq Small-Cap Market on March 2, 2000.

The number of shares of the Registrant's common stock, \$.005 par value per share (being the only class of common stock of the Registrant), outstanding on March 2, 2000 was 10,014,198 shares.

HANSEN NATURAL CORPORATION

FORM 10-K

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PART I

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 2380 Railroad Street, Suite 101, Corona, California 92880-5471, 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 subsidiary, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992. HBC conducts all of the Company's operating business and generates all of the Company's operating revenues. 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. The Company also owns all of the issued and outstanding common stock of Hard Energy Company ("HEC"), formerly known as CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. Although HEC is currently inactive, the Company plans to commence the marketing and sale of certain beverage products through HEC during 2000. In addition, HBC formerly owned all of the issued and outstanding ordinary shares of its subsidiary located in the United Kingdom, Hansen Beverage Company (UK) Limited, which ceased operating activities at the end of 1997 and was finally dissolved in July 1999.

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., now 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 CoPackers 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.

Products

Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice Smoothies, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, children's multi-vitamin juice drinks and still water under the Hansen's(R) 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, sports drinks and single-serve still water 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 \$8.6 billion at wholesale in 1999 with a growth rate of approximately 13.3% over the prior year. (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 22 years. In 1999, 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 twelve 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 and Tangerine. Hansen has two low calorie sodas in Wildberry and Cola flavors. 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 low calorie sodas, with aspartame. 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 five flavors consisting of Orange Creme, Vanilla Creme, Ginger Beer, Sarsaparilla and Black Cherry. The Company plans to introduce additional flavors of Signature Sodas during 2000. Signature Sodas are being marketed through the Company's existing distributor network.

During April 1997, the Company introduced a lightly carbonated citrus flavored Hansen's(R) energy drink in an 8.2-ounce slim can. The Company's energy drink contains Taurine, Ginseng, Ginkgo Biloba, Guarana, Caffeine and key B vitamins. 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 8.2-ounce slim cans namely, a ginger flavored d-stress(R) drink, an orange flavored antioox(R) drink (since renamed bo well(TM)), and a guarana berry flavored stamina(R) drink. Each of these drinks contain different combinations of vitamins, nutrients, herbs and supplements. The d-stress(R) drink contains Kava Kava, St. John's Wort, L-Tyrosine, Chamomile and key B vitamins. The bowell(TM) drink contains Grape Seed Extract, Selenium, Echinacea, Vitamins A, C and E as well as key B vitamins. The stamina(R) drink contains Co-Enzyme Q-10, L-Carnitine, Bee-Pollen, Royal Jelly, Schizandra Berry, Guarana, Caffeine and key B vitamins. During the fourth quarter of 1998, the Company introduced its power functional drink in an 8.2-ounce slim can. The Company is in the process of changing the colors of the power can and the flavor from black cherry to grape. power contains Creatine, Glutamine, Red Panax Ginseng, Caffeine, as well as key B vitamins. The Company is currently introducing slim down, it's sixth functional drink. slim down is a berry flavored drink that contains Pyruvate, Garcinia Cambogia, L-Carnitine, Chromium Polynicotinate, Co-Enzyme Q-10, calcium, vitamin C and key B vitamins and has no calories.

The Company has concentrated on marketing its carbonated functional drinks and Smoothies in glass bottles through its distributor network, which continued to expand during 1999. The Company intends to leverage its existing distributor network to facilitate sales of its premium Signature Sodas in glass bottles, as well as other new single serve products in glass bottles that it has introduced and plans to introduce in 2000, and which are described more fully below.

The Company's fruit juice product line currently includes Hansen's(R) Natural Old Fashioned Apple Juice which is packaged in 64 and 128-ounce polyethylene terephthalate ("P.E.T.") plastic bottles, 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. All of these Hansen's(R) juice products contain 100% juice as well as 100% of the recommended daily intake for adults of Vitamin C and from 1999 also contain added calcium. Hansen's(R) juice products compete in the shelf-stable juice category.

In March 1995, the Company expanded its juice product line by introducing a line of fruit juice Smoothies. The Company's fruit juice Smoothies contain approximately 35% juice (save for the Company's Smoothies in 12-ounce glass bottles which contain approximately 25% juice) and have a smooth texture that is thick but lighter than a nectar. 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 aluminum cans and in new unique proprietary 12-ounce glass bottles designed by the Company, as well as in 64-ounce P.E.T plastic bottles. In 1999, the new 12-ounce glass bottles replaced the 13.5-ounce glass bottles previously used by the Company. 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 and Cranberry Twist. The product line also includes a Cranberry Raspberry lite Smoothie as well as an Energy Smoothie which has a unique formula. The Energy Smoothie product contains Ginseng and Taurine, two popular energy supplements, as well as Vitamins B2, B6, B12, Niacin, Vitamin C and Glucose. The Company is currently introducing its two newest Smoothie flavors, Whipped Orange and Cranberry Twist. The Company intends to extend its Smoothie line in 64-ounce P.E.T. plastic bottles from two flavors to six flavors, during the first half of 2000.

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 contains different combinations of vitamins, nutrients, herbs and supplements. Energy has a tropical fruit flavor and contains Ginseng, Taurine, Vitamins A, C, and E and key B vitamins. Power has a berry flavor and contains Astragalus, Bee Pollen, Calcium, Vitamins A, C, and E and key B vitamins. Protein has a banana citrus flavor and contains Protein (including soy protein), Calcium and Vitamins A, C, and E. Vita has an orange carrot flavor and contains Echinacea, Zinc, Selenium, Calcium and a blend of important Multi-vitamins. During the fourth quarter of 1999, the Company introduced certain of such premium functional Smoothies as line extensions to its Smoothie line, in 12-ounce glass bottles.

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(TM), and INTELLIJUICE(R). ANTIOXJUICE(R) is a carrot and tropical juice blend with Grape Seed extract, Vitamins A, C and E and Selenium. IMMUNEJUICE(TM) is an aronia and cranberry juice blend with Echinacea and Zinc, and INTELLIJUICE(R) is an orange and tomato juice blend with Gingko Biloba, Hawthorn Berry and Ginseng. 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 has determined to use that trademark for and in connection with its Healthy Start 100% juice line. The Company has redesigned the labels for its Silver Foxes(TM)/Healthy Start 100% juice line and anticipates launching that new renamed line, which will be targeted at the 50+ age group, within the next few months.

In the first quarter of 2000, the Company introduced its Healthy Start 100% juice line in single-serve glass bottles, which will be marketed through its distributor network.

Hansen's(R) ready-to-drink iced teas and lemonades were introduced in 1993. Hansen's(R) ready-to-drink iced teas are currently available in five flavors: Original with Lemon, Tropical Peach, Wildberry, Tangerine and Low Calorie Blueberry Raspberry and its 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. Hansen's ready-to-drink iced teas, lemonades and juice cocktails are currently packaged in 16-ounce non-returnable 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 and in the case of the low calorie iced tea with aspartame, citric acid and other ingredients.

After offering a ready-to-drink green tea in a 20 ounce glass bottle, the Company resolved to introduce a full line of specialty teas in 20 ounce glass bottles, which it named its "Gold Standard" line. The 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 at the end of 1999. Following continuing demand for its green tea product, the Company is currently in the process of introducing additional green tea flavors, including two diet green tea flavors, as well as six juice cocktails, in this package. All of the products in the Gold Standard line contain different combinations of nutrients, herbs and 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 intends to introduce additional flavors for each line in 2000. One of the lines is a co-branded 100% juice line named "Juice Blast(TM)" 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 is a 10% juice line named "Juice Slam(TM)" that is available to all of our customers.

Hansen's(R) still water products were introduced in 1993. Hansen's(R) still water products are primarily sold in .5-liter plastic bottles.

In 2000, the Company plans to introduce additional flavors of its existing products as well as a new line of soy based drinks and, in addition, a new line of premium "functional" iced teas in unique proprietary glass bottles, which latter line was previously scheduled to be introduced late in 1999.

In 2000, the Company plans to introduce two new lines of nutritional food bars under the Hansen's(R) brand name. The first will be a line of snack bars made from grains and fruit and the second will be a line of functional bars. In addition, the Company plans to test market a new line of premium G.M.O. free cereals under the Hansen's(R) brand name.

The Company continues to evaluate and, where considered appropriate, introduce additional flavors and other types of beverages to compliment 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 and Signature Soda products are blended at independent production facilities. In each case, the concentrate is delivered by independent trucking companies to Hansen's various copackers, each of which adds filtered water, high fructose corn syrup or cane sugar or, in the case of the low calorie sodas aspartame, citric acid and carbonation and packages the products in approved containers. Hansen's most significant copacking 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 juice products, ready-to-drink iced tea, lemonade and juice cocktail products; Gold Standard specialty tea and juice cocktail line, fruit juice Smoothie products; functional drinks, Healthy Start juice line and children's multi-vitamin juice drinks from various producers and manufacturers. Such materials are then delivered to the Company's various copackers for manufacture and packaging of the finished products.

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

In the Western states, 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 Smoothie products in cans and P.E.T bottles, Healthy Start juice line in P.E.T. bottles and children's multi-vitamin juice drinks are primarily sold to major grocery chain stores and in certain limited instances to mass merchandisers through food brokers; to club stores, specialty chain stores and mass merchandisers in these states, 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, carbonated functional drinks in 8.2-ounce slim cans, Signature Sodas and Healthy Start juices in glass bottles are distributed almost exclusively by bottlers and/or distributors that do not distribute other products of the Company.

Management has secured limited additional copacking 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 copacking arrangements to further reduce freight costs.

During 1998, the Company entered into an arrangement with one of its copackers, pursuant to which certain modifications were made to that copacker's equipment to enable it to produce certain products on behalf of the Company. In consideration thereof, the Company agreed to pack a minimum number of cases of products over a four-year period. Should the Company fail to pack the agreed minimum number of cases of products over such period, the Company will be liable to reimburse the copacker for a proportionate share of the cost thereof based on such shortfall. Based on the volume levels achieved by the Company in the past and its expected volume levels, the Company does not believe that it will incur any liability in connection with the above arrangement. However, such co-packer has experienced difficulties in producing the Company's functional drinks in 8.2-ounce slim cans and Smoothies in 11.5-ounce cans. The co-packer has on some occasions attributed certain of such difficulties to defective equipment and/or supplies of cans and ends and/or to other causes for which they are allegedly not responsible. During 1999, the Company, without admission of defects in any cans or ends supplied, agreed to arrange for another can company to supply cans and ends for the 11.5-ounce cans. Such new can manufacturer commenced to supply 11.5-ounce cans and ends in October 1999. As there is only one manufacturer of 8.2-ounce slim cans and ends in the United States, such an arrangement was not available for that package.

The Company has continued to work with the copacker who has, however, continued to experience difficulties with the 8.2-ounce slim cans, despite the fact that other copackers used by the Company were able to effectively run and produce commercially acceptable finished products with the same cans. The subject copacker has indicated that it is considering whether it will be willing to continue to pack the Company's functional drinks in 8.2-ounce slim cans or Smoothies in 11.5-ounce cans, and if so, on what terms. The Company is currently in discussions with that copacker. There are a number of other lines in the United States with available capacity to pack the Company's Smoothies in 11.5-ounce cans. However, there are only two other lines in the United States that are capable, at the present time, of packing the Company's functional drinks in 8.2-ounce slim cans. The Company believes that in the short term such lines will have sufficient available capacity to meet the Company's anticipated volumes. However, the Company may incur higher packing fees and freight costs as a result. The Company is currently engaged in discussions with prospective copackers and its can supplier, with a view to arriving at an arrangement with respect to certain modifications to be made to the lines of such prospective copackers to enable them to run and produce the Company's Smoothies in 11.5-ounce cans and functional drinks in 8.2-ounce slim cans.

During March 1999, the Company entered into an arrangement with its glass supplier pursuant to which its glass supplier agreed to install a shrink sleeve labeling machine at its plant to facilitate the pre-labeling of the

Company's glass bottles at the point of manufacture. In consideration thereof, the Company agreed to have a minimum quantity of labels applied to its glass bottles over a four-year period. Should the Company fail to have the agreed minimum quantity of labels applied over such period, the Company will be liable to compensate its supplier for a proportionate share of the cost thereof based on such shortfall. Based on the Company's estimated volume levels, the Company does not believe that it will incur any liability in connection with this arrangement.

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 copacking arrangements, it might not be able to satisfy demand on a short-term basis.

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 above) a short disruption would not significantly affect the Company's revenues since alternative co-packing facilities in the United States with adequate capacity can be obtained for most of its products at commercially reasonable rates, if necessary or desirable, within a reasonably short time period. However, as stated above, there are limited copacking facilities in the United States with adequate capacity for products in 8.2-ounce slim cans. There are also limited shrink sleeve labeling facilities available in the United States with adequate capacity for the Company's Signature Soda line and Healthy Start line in glass bottles. A disruption in production of any of such products could significantly affect the Company's revenues from such products as alternative copacking facilities in the United States with adequate capacity may not be available for such products at commercially reasonable rates, if necessary or desirable, within a reasonably short time period. The Company is taking steps to secure the availability of alternative copacking facilities in the United States or Canada with adequate capacity for the production of such products, to minimize the risk of any disruption in production.

The Company itself is primarily responsible for marketing its products (other than its fruit juice Smoothies in glass bottles, functional drinks in 8.2-ounce slim cans and Signature Sodas and Healthy Start juices in glass bottles) in the United States. The Company has entered into distribution agreements with distributors to distribute Smoothies in glass bottles and/or functional drinks in 8.2-ounce slim cans and/or Signature Sodas in more than 40 states (Healthy Start in glass bottles is being introduced currently through distributors). However, in many of such states, distribution is only on a limited scale. Certain of the Company's products are also marketed in Canada and, on a more limited basis, in other countries outside of the United States, including the United Kingdom, Mexico, Philippines, Guam, the Caribbean, and South Africa. During 1999, sales by the Company to distributors outside the United States amounted to approximately \$800,000.

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

In the first quarter of 2000, the Company introduced its new slim down functional drink and Healthy Start juice line in glass bottles. Presentations are currently being made to the Company's existing distributor network to endeavor to secure their agreement to distribute such products.

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 strategy of licensing regional bottlers to produce Hansen's(R) Natural Sodas from concentrate provided by the Company, has not fulfilled management's expectations, partly because bottlers have preferred to focus on alternative beverage products having higher margins than sodas. At the end of 1997, management awarded the Company's distributor in Colorado the right to market and distribute its Natural Sodas in that state in place of its

licensed bottler. The Company continues to utilize such bottler to manufacture Hansen's(R) Natural Sodas on its behalf.

Management continues to evaluate various alternatives to expand the distribution of its products into selected new markets. The Company plans to expand the distribution of its Natural Sodas and Smoothies in cans into Oregon and Washington states during 2000, by itself retaining responsibility for securing sales and providing marketing support. To this end the Company has appointed a regional sales manager for the northwestern states.

In 1999, the Company continued to expand its national sales organization to support and grow the sales primarily of Smoothies in bottles and functional drinks in 8.2-ounce slim cans and to introduce its Signature sodas and intends to continue to build that organization during 2000.

During September 1997, the Company's main distribution warehouse was relocated to Corona, California and in March 1998, the corporate offices of the Company relocated to the same facility. Although the Company agreed to sublease a portion of the warehouse facility to the independent contractor which manages the warehouse facility on its behalf and the repacking and distribution of the Company's products therefrom, the sublease could not be implemented as the entire warehouse facility is being utilized for the Company's products due to higher inventory levels which were attributable to increased sales and additional products being marketed and distributed by the Company. In light of its agreement with the independent contractor concerned, it is not necessary for the Company to employ additional personnel to manage the warehouse facility, or for the repacking or distribution of its products. The Company also utilizes public warehouses. Due primarily to increased sales and additional products marketed by the Company in 1999 it became necessary for the Company to secure additional warehousing. To cater for increased sales in 2000 and beyond and new products that the Company plans to introduce in the future and increase efficiency by consolidating its warehousing and distribution into one facility, the Company has entered into an agreement to lease a new substantially larger facility in Corona from August 2000 in place of its existing main facility. The corporate offices of the Company will also relocate to the same facility. See also "ITEM 2 PROPERTIES."

Source and Availability of Raw Materials

The Company purchases beverage flavors, concentrates and supplements from independent suppliers located in the United States and Mexico and juices from independent suppliers in the United States and 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 its carbonated functional drinks, Smoothies, Healthy Start and Gold Standard lines. However, industry wide shortages of certain supplements 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 its flavors and concentrates from other suppliers as well as to conclude arrangements with suppliers which would enable it to obtain access to certain concentrate formulae in certain circumstances. The Company has been partially successful in these endeavors. By working with suppliers rather than on its own, Hansen is able to develop new products at low cost as well as to diversify its supplier network.

Hansen's goal is to ensure that all raw materials used in the manufacture and packaging of the Company's products, including 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 functional drinks are only manufactured by one company in the United States.

In connection with the development of new products and flavors, the Company contracts 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 beverage products and flavors.

Competition

The soda, juice, and non-carbonated beverage businesses are 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 as well as juices and juice drinks and nectars produced by a relatively large number of manufacturers, most of which have substantially greater financial and marketing resources than Hansen.

The Company's functional energy drink competes directly with Red Bull, Red Devil, Lipovitan, Met-rx, Hype, XTC and many other brands and its other functional drinks compete directly with Elix, Lipovitan, Met-rx, Think, Sobe Essentials and other brands. The "functional" beverage category is in its infancy and increased competition is anticipated within a relatively short period of time. 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 recently added or are in the process of adding vitamins, herbs and/or nutrients to their products with a view to marketing their products as "functional" 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 of the competitive products are positioned differently to the Company's functional drinks and Super Smoothies. The Company's Gold Standard line is positioned more closely against those products

For its natural sodas, smoothies, carbonated 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 known producers such as The Coca Cola Company, PepsiCo, Inc., Dr. Pepper/Seven-Up Companies, Inc., Cadbury Schweppes, The Quaker Oats Company, Triarc Group of Companies (which includes the RC Soda, Snapple, Mystic and Stewards brands), Nestle Beverage Company 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 Nectar, Kerns Nectar, Mystic Rain Forest Nectar, VeryFine, V8 Splash, Calistoga, Blue Sky, Red Bull, Met-rx and Crystal Geysler 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 Ocean Spray. The Company's products also compete with private label brands such as those carried by chain and club stores. Important factors affecting Hansen's ability to compete successfully include taste and flavor of products, trade and consumer promotion, rapid and effective development of new, unique, cutting edge products, attractive and different packaging, brand and product advertising and pricing. Hansen must also compete 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 and functional beverage

categories could cause the Company's products to lose market share or experience price erosion, which could have a material adverse effect on Hansen's business.

The Company's fruit juice Smoothies compete with Kern's nectars in the western states and Libby's in the eastern states and Whipper Snapple, Mistic Rain Forest Nectar, and Nantucket Nectar 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 10- 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, Wildland, 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 Nectar, Wildland and other juice products. The Company's still water products compete directly with Evian, Crystal Geysler, Naya, Palomar Mountain, Sahara, Arrowhead, Aquafina, Dannon, and other brands of still water especially store brands.

Marketing

Hansen's marketing strategy is to focus on consumers who seek beverages which 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 product lines (other than the Company's functional energy, stamina(R) and power drinks which do contain caffeine) and the addition to all of its products, other than its Natural sodas and Signature sodas, of one or more vitamins, minerals, supplements, nutrients or herbs. This message is reinforced in the product packaging, the majority of which was redesigned in 1999. 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 slightly lower than that of competitive non-carbonated beverages marketed under the Snapple, Sobe, Arizona, Mistic, 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 8.2-ounce slim cans, containing two popular energy supplements, Ginseng and Taurine, to appeal to the young and active segment of the beverage market that desires an energy boost from its beverage selection. Hansen's(R) energy drink also contains Vitamins B2, B6, B12, Niacin, Vitamin C, Ginkgo Biloba, Guarana, Caffeine and Glucose. The Company has since launched five additional lightly carbonated functional drinks. The first, a stamina(R) drink contains Coenzyme Q-10, L-Carnitine, Bee Pollen, Royal Jelly, Schizandra Berry and Vitamins B5, B6, B12, Niacin, Vitamin C, Guarana Berry and Caffeine; the second, a d-stress(R) drink contains Kava Kava, St John's Wort, L-Tyrosine, Chamomile as well as Vitamins B5, B6, B12, Niacin and Vitamin C; the third, an antioox(R) drink (since renamed bowell(TM)) contains Grape Seed Extract, Selenium, Echinacea, Vitamins A, C and E as well as Vitamins B5, B6, B12 and Niacin; the fourth, a power drink contains Creatine, Glutamine, Red Panax Ginseng as well as key B Vitamins and the fifth, a slim down drink contains Pyruvate, Garcinia Cambogia, L-Carnitine, Coenzyme Q-10, Chromium Polynicotinate and calcium, as well as Vitamins B5, B6, B12, C and Niacin. The vitamins, minerals, nutrients, supplements and herbs ("supplements") contained in each of the functional drinks are intended to provide specific but different functional benefits to the consumers of each of such products.

To cater for consumers who regularly 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 chain

stores, club stores, specialty chains and health food stores, the positioning of these products is similar to the Company's lightly carbonated functional drinks in 8.2-ounce slim cans. To distinguish these products from those of competitors, each label clearly 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 is currently having the labels for its Silver Foxes(TM)/Healthy Start 100% juice line redesigned. The new re-named line, which will be targeted at the 50+ age group, will be launched within the next few months. The Company is in the process of introducing its Healthy Start 100% line in single serve 12 ounce glass bottles, through its distributor network.

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.

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. 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 refrigerated truck and other promotional vehicles at events at which the Company's products, including its fruit juice smoothies and natural sodas, 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 such as baseball star Sammy Sosa in 2000, couponing, sampling and sponsorship of selected sports figures as well as 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 couponing are also used extensively to promote the Hansen's(R) brand.

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(TM) line.

Management increased expenditures for its sales and marketing programs by approximately 21% in 1999 compared to 1998.

The Company intends to support its planned expansion of distribution and sale of its Smoothie products in bottles, functional drinks in 8.2-ounce cans, Signature Sodas and Healthy Start juices in glass bottles, through the in-store placement of point-of-sale materials, use of glide racks, suction cup racks and a proprietary rolling rack for its functional drinks and by attending and sponsoring many sporting events, including extreme sports and selected sports figures and through endorsements from selected public figures such as Sammy Sosa, 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.

In January 1994, the Company entered into an agreement with a barter company for the exchange of certain inventory for future advertising and marketing credits. The Company assigned a value of \$490,000 to these credits based on the net realizable value of the inventory exchanged. As of December 31, 1999, unused advertising and marketing credits totaled \$203,000. Although such credits remain available for use by the Company through January 2002, management was unable to estimate their remaining net realizable value at December 31, 1997. Accordingly, in the year ended December 31, 1997, the Company fully reserved against and expensed such advertising and marketing credits.

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. The Company reviews its products and packaging on an ongoing basis and, where practical, endeavors to make them different, better and unique. The labels for the Company's juice products were redesigned recently. The graphics for the Company's Natural Soda and Smoothie products were completely redesigned in 1999 in an endeavor to develop a new system to maximize visibility and identification thereof, wherever they may be placed in stores.

Customers

Retail and specialty chains, and club stores represented 58% of Hansen's sales in the year ended December 31, 1999 and 59% in the year ended December 31, 1998, while the percentage of sales to distributors (primarily of Hansen's(R) Smoothies in bottles, functional drinks in 8.2-ounce slim cans and Signature Sodas) increased slightly from 32% in the year ended December 31, 1998 to 33% in the year ended December 31, 1999.

Hansen's major customers in 1999 included Costco, Trader Joes, Sam's Club, Lucky, Vons, Ralph's, Wal-Mart and Albertson's. One customer accounted for approximately 25% and 27% of the Company's sales for the years ended December 31, 1999 and 1998, respectively. Two customers accounted for approximately 29% and 11%, respectively, of the Company's sales for the year ended December 31, 1997. A decision by these major customers 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 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, its Healthy Start line, functional drinks and children's multi-vitamin juice drinks will 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 a trust (the "Trust") which was created by an agreement between HBC and FJC's predecessor (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. A similar license agreement exists between the Trust and HBC with regard to non-beverage products. Royalty expenses incurred in respect of such non-carbonated beverages and water during 1999 amounted to \$12,000. No royalties are payable on sodas, juices, lemonades, juice cocktails, fruit juice Smoothies, "functional" drinks, Healthy Start or Signature Soda lines or on the children's multi-vitamin juice drinks.

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. Management believes that such royalty payments as a percentage of sales are comparatively low.

HBC entered into an Assignment and Agreement with Fresh Juice Company of California, Inc. (FJC) effective September 22, 1999, 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 3 years. FJC is permitted to continue to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark for a period of 5 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.

The Company has applied to register a number of trademarks in the United States including, but not limited to, THE REAL DEAL(TM), Juice Blast(TM), Juice Slam(TM), Immunejuice(TM), Defense(TM), bothin(TM), Powerpack(TM), Medicine Man(TM), bowell(TM)

The Company owns in its own right the trademarks, LIQUIDFRUIT(R), Imported from Nature(R), California's Natural Choice(R), California's Choice(R), Dyna Juice(R), Equator(R), Be well(R), antioox(R), d-stress(R), stamina(R), Aqua Blast(R), Antioxjuice(R) and Intellijuice(R) in the United States and the "Smoothie" trademark in a number of countries around the world.

During 1999, the United States Patent and Trademark Office issued a Notice of Allowance 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 functionals drinks in 8.2-ounce slim cans in refrigerated Visi coolers and walk-in coolers in retail stores.

Government Regulation

The production and marketing of beverages are 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.

Employees

As of March 1, 2000, Hansen employed a total of 81 employees, 65 of whom are employed on a full-time basis. Of Hansen's 81 employees, 29 are employed in administrative and quality control capacities and 52 are employed in sales and marketing capacities.

The Company operates with three separate divisions namely, carbonated, non-carbonated and distributor divisions, under existing management at the direction of Messrs. Rodney Sacks and Hilton Schlosberg. The Company intends to create a fourth separate division to manage the new nutritional food bars and cereals that the Company plans to introduce in 2000 and any functional foods/snack foods that may be introduced by the Company in the future.

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 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 its carbonated products sold. In certain other states and Canada where Hansens(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 products sold.

ITEM 2. PROPERTIES

Hansen's corporate offices and main warehouse are located in a single building at 2380 Railroad Street, Suite 101, Corona, California 92880. This facility is leased by HBC for a period of eighty-nine (89) months commencing from September 19, 1997. The gross area of the facility is approximately 66,700 square feet. HBC also utilizes public warehouses. On February 23, 2000, the Company entered into a new lease agreement for a 113,600 square foot facility at 1010 Railroad Street in Corona, California, commencing on August 1, 2000. The term of the lease is ten years with increases in the monthly rental payments during the third, sixth and eighth years. Upon commencement of the new lease, the lease for the existing premises will terminate by mutual consent.

ITEM 3. LEGAL PROCEEDINGS

The second stage of the trial in HBC's action against ERLY Industries, Inc. ("ERLY") in the Superior Court for the State of California, was held in July 1997 for the sole purpose of determining the amount of HBC's damages, if any, resulting from ERLY's breach of certain rights of first refusal provisions contained in HBC's subordinated secured promissory note in the principal amount of \$4 million in favor of ERLY (the "ERLY Note"). In November 1997, the court held that HBC had not suffered any damages as a result of ERLY's breach of the ERLY Note. HBC has filed an appeal against that judgment. A motion was made by ERLY for the costs of such action to be awarded in its favor, which was dismissed by the court. ERLY has filed a cross appeal on that issue. The full amount due under the ERLY Note was paid in November 1997 with the proceeds of a term loan obtained by the Company from Comerica Bank - California ("Comerica"). During 1998, ERLY filed for bankruptcy and the appeal was consequently stayed by law. The Company has filed a claim against ERLY. Although the trustee initially rejected the claim, discussions are currently taking place in an endeavor to agree on a figure for the principal amount of the Company's unsecured claim to avoid the necessity for HBC to pursue the appeal. The ultimate outcome of this matter cannot presently be predicted.

Towards the end of 1998, HBC, together with the Trustee of the Hansen Trust, commenced arbitration proceedings before the American Arbitration Association in Los Angeles, California, against FJC, the former Trustees of the Trust, and a company called Hansen's Juice Creations LLC ("Creations"), in which HBC and the Trustee claimed, among other matters: (i) that certain acts of the former Trustees of the Trust constituted breach of trust; (ii) a certain license agreement purportedly entered into between the former Trustees of the Trust and Creations (the "Purported Agreement") was, in whole or in part, void or terminable by the Trust; and (iii) certain acts of Creations constituted infringement of the Hansen's(R) trademark and certain acts of FJC constituted contributory infringement of the Hansen's(R) trademarks. HBC and the Trustee sought damages and injunctive relief against FJC and Creations. Such proceedings were settled in September 1999. Pursuant to written settlement agreements among the various parties to such proceedings, the Purported Agreement was terminated by mutual consent, the right of the successor to Creations to use the Hansen's(R) trademark on limited, but clearly defined, fresh juice products, was clarified and agreed upon, and certain other matters relating to and concerning the use of the Hansen's(R) trademark, were resolved.

The Company is subject to 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.

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 September 24, 1999. 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	8,756,925
Hilton H. Schlosberg	8,756,925
Benjamin M. Polk	8,756,875
Norman C. Epstein	8,756,925
Harold C. Taber, Jr.	8,756,875
Mark S. Vidergauz	8,757,025

In addition, at the meeting the stockholders of the Company ratified the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ending December 31, 1999, by a vote of 8,668,015 for, 3,590 against and 9,462 abstaining. The stockholders also adopted an amendment to the Company's Employee Stock Option Plan ("Plan") increasing the number of shares of common stock issuable upon the exercise of stock options granted under the Plan from 2,000,000 shares to 3,000,000 shares, by a vote of 5,593,881 for, 296,311 against and 118,913 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 2, 2000 there were 10,014,198 shares of the Company's Common Stock outstanding held by approximately 674 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, 1997 to December 31, 1999:

	Common Stock	
	High Bid	Low Bid
Year Ended December 31, 1999		
First Quarter	\$ 5 5/8	\$ 3 7/16
Second Quarter	\$ 5 1/2	\$ 3 5/8
Third Quarter	\$ 5 5/8	\$ 4 5/16
Fourth Quarter	\$ 5 1/8	\$ 3 7/8
Year Ended December 31, 1998		
First Quarter	\$ 2 9/16	\$ 1 15/32
Second Quarter	\$ 4 3/4	\$ 2 3/8
Third Quarter	\$ 6 13/16	\$ 3 3/4
Fourth Quarter	\$ 6 17/32	\$ 2 15/16
Year Ended December 31, 1997		
First Quarter	\$ 1 3/8	\$ 1
Second Quarter	\$ 1 7/16	\$ 31/32
Third Quarter	\$ 1 15/16	\$ 1 3/8
Fourth Quarter	\$ 2 11/16	\$ 1 9/16

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 statement of operations data set forth below with respect to each of the years ended December 31, 1995 through 1999 and the balance sheet data as of December 31, for the dates indicated, are derived from the consolidated financial statements audited by Deloitte and 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 1996, 1997 and 1998 Forms 10-K and in the 1995 Form 10-KSB.

(in thousands, except per share information)

	1999	1998	1997	1996	1995
Net sales	\$72,303	\$53,866	\$43,057	\$35,565	\$33,991
Net income (loss)	\$ 4,478	\$ 3,563	\$ 1,250	\$ 357	\$(1,350)
Net income (loss) per common share					
Basic	\$ 0.45	\$ 0.38	\$ 0.14	\$ 0.04	\$ (0.15)
Diluted	\$ 0.43	\$ 0.34	\$ 0.13	\$ 0.04	-
Total assets	\$28,709	\$22,557	\$16,933	\$16,109	\$17,521
Long-term debt	\$ 903	\$ 1,335	\$ 3,408	\$ -	\$ 4,032

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

General

During 1999 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.

In January 1999, the Company launched its new premium line of Signature Sodas in unique proprietary 14-ounce glass bottles.

The Company is currently introducing slim down, its sixth functional drink in 8.2-ounce slim cans. slim down is a berry flavored drink that contains Pyruvate, Garcinia Cambogia, L-Carnitine, Chromium Polynicotinate, Co-Enzyme Q-10, Calcium, vitamin C and key B vitamins and has no calories.

During 1999, the Company replaced the 13.5-ounce glass bottles used by it for its Smoothie products with a new unique proprietary 12-ounce glass bottle and further introduced two of its Smoothie products in 64-ounce P.E.T. plastic bottles. The Company is currently introducing its two newest Smoothie flavors, Whipped Orange and Cranberry Twist in 11.5-ounce cans. The Company is also in the process of extending its Smoothie line in 64-ounce P.E.T. plastic bottles from two flavors to six flavors.

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 contain different combinations of vitamins, nutrients, herbs and supplements. At the end of 1999, the Company introduced certain of

such premium functional Smoothies as line extensions to its Smoothie line in 12-ounce glass bottles.

Earlier this year, the Company entered into a license 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 has determined to use that trademark for and in connection with its Healthy Start 100% juice line. The Company is currently having the labels for its Silver Foxes(TM)/Healthy Start 100% juice line redesigned and anticipates launching that new re-named line, which will be targeted at the 50+ age group, within the next few months.

In the first quarter of 2000, the Company plans to introduce its Healthy Start 100% juice line in single serve glass bottles, which will be marketed through its distributor network.

In the third quarter of 1999, the Company introduced two new lines of children's multi-vitamin juice drinks in 8.45-ounce aseptic packaging. Each line was introduced in three flavors. The Company intends to introduce additional flavors for each line in 2000. One line is a co-brand 100% juice line named "Juice Blast(TM)" that was launched in conjunction with Costco under the "Kirkland Signature(TM)/Hansen's(R) Natural" co-brand name and is sold nationally through Costco stores. The other line is a 10% juice line named "Juice Slam(TM)" that is available to all of our customers.

During 1999, the Company expanded its Green Tea line with four new specialty teas in proprietary 20-ounce glass bottles, which it named its "Gold Standard" line. The Company is currently in the process of introducing additional Green Tea flavors including two diet green tea flavors as well as six juice cocktails, all under the "Gold Standard" name.

In 2000, the Company plans to introduce additional flavors of its existing products as well as a new line of soy based drinks and, in addition, a new line of premium "functional" iced teas in unique proprietary glass bottles.

In 2000, the Company also plans to introduce two new lines of nutritional food bars and to test market a new line of premium G.M.O. free cereals under the Hansen's(R) brand name. The one new line of nutritional food bars will be a line of snack bars made from grains and fruit and the other will be a line of functional bars.

The increase in net sales and profitability for the year ended December 31, 1999, was primarily attributable to increased sales of the Company's functional drinks in 8.2-ounce slim cans and to the Company's Healthy Start line as well as the introduction of the Company's Signature Sodas and children's multi-vitamin juice drinks in aseptic packaging.

Net sales of iced teas, lemonades and juice cocktails in 1999 were comparable to the sales of such products in 1998.

Net sales of the Company's Smoothie products were higher in 1999 than in 1998 due primarily to sales of Smoothies in 64-ounce plastic bottles, which were introduced during 1999.

Net sales of Natural Sodas were significantly higher in 1999 as compared to 1998. The primary increase is attributable to the introduction of the Company's Signature Soda line in 14-ounce glass bottles. Net sales of apple juice were higher in 1999 than in 1998.

The mix of products sold by the Company continued to change in 1999. The change in product mix resulted in a decrease in the gross profit margin as a percentage of net sales to 46.4% for the year ended December 31, 1999 as compared to 49.3% for the year ended December 31, 1998.

During 1999, sales outside of California represented 39% of the aggregate sales of the Company, as compared to approximately 34% of the aggregate sales of the Company in 1998. Sales to distributors outside the United States during 1999 amounted to \$800,000 compared to \$500,000 in 1998.

During 1999, 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 organization in 2000 to support and grow the sales of its products.

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, 1999 Compared to the Year Ended December 31, 1998.

Net Sales. For the year ended December 31, 1999, net sales were approximately \$72.3 million, an increase of \$18.4 million or 34.2% over the \$53.9 million net sales for the year ended December 31, 1998. 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, the introduction of the Company's new children's multi-vitamin juice drinks in the third quarter of 1999, as well as the Company's Signature Soda line, which was introduced in the first quarter of 1999, increased sales of the Company's Healthy Start product line and sales of Smoothies in 64-ounce P.E.T. bottles. To a lesser extent, the increase in net sales was also attributable to increased sales of juice blends, Smoothies in cans, apple juice, soda in cans and sales of Super Smoothies, which were introduced in the second half of 1999. Net sales of iced teas, lemonades and juice cocktails in 1999 were comparable to the sales of such products in 1998. The increase in net sales was partially offset by the discontinuance of Equator(R) and other marginal products.

Gross Profit. Gross profit was \$33.5 million for the year ended December 31, 1999, an increase of \$7.0 million or 26.4% over the \$26.5 million gross profit for the year ended December 31, 1998. Gross profit as a percentage of net sales decreased to 46.4% for the year ended December 31, 1999 from 49.3% for the year ended December 31, 1998. 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 lower margins achieved as a result of a change in the Company's product mix.

Total Operating Expenses. Total operating expenses were \$26.0 million for the year ended December 31, 1999 an increase of \$5.4 million or 26.5% over total operating expenses of \$20.6 million for the year ended December 31, 1998. Total operating expenses as a percentage of net sales decreased to 36.0% for the year ended December 31, 1999, from 38.2% for the year ended December 31, 1998. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses and other operating expenses. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in selling, general and administrative expenses.

Selling, general and administrative expenses were \$25.3 million for the year ended December 31, 1999 an increase of \$5.1 million or 25.3% higher than selling, general and administrative expenses of \$20.2 million for the year ended December 31, 1998. Selling, general and administrative expenses as a percentage of net sales decreased to 35.0% for the year ended December 31, 1999 from 37.5% for the year ended December 31, 1998. Selling expenses were \$17.8 million for the year ended December 31, 1999 an increase of \$3.7 million or 26.2% higher than selling expenses of \$14.1 million for the year ended December 31, 1998. Selling expenses as a percentage of net sales decreased to 24.6% for the year ended December 31, 1999 from 26.2% for the year ended December 31, 1998. The increase in selling expenses was primarily attributable to increased distribution (freight) expenses, advertising costs and promotional expenditures, particularly in-store demonstrations and coupon expenses. The increase in selling expenses was partially offset by a decrease in expenditures for merchandise displays and point of sale materials. General and administrative

expenses were \$7.5 million for the year ended December 31, 1999, an increase of \$1.4 million or 23.4% higher than general and administrative expense of \$6.1 million for the year ended December 31, 1998. General and administrative expenses as a percentage of net sales decreased to 10.4% for the year ended December 31, 1999, from 11.4% for the year ended December 31, 1998. The increase in general and administrative expenses was primarily attributable to increased payroll costs and certain other expenses incurred in connection with the Company's product development and expansion activities into additional states.

Amortization of trademark license and trademarks was \$308,000 for the year ended December 31, 1999, an increase of \$12,000 over amortization of trademark license and trademarks of \$296,000 for the year ended December 31, 1998.

Other operating expenses were \$380,000 for the year ended December 31, 1999, an increase of \$320,000 over other operating expenses of \$60,000 for the year ended December 31, 1998. The increase in other operating expenses was primarily attributable to expenses incurred in connection with a proposed business combination that was not completed. The increase in other expenses was partially offset by the expiration of a consulting agreement with a director of the Company.

Operating Income. Operating income was \$7.5 million for the year ended December 31, 1999, compared to \$6.0 million for the year ended December 31, 1998. The \$1.5 million increase in operating income was primarily attributable to increased gross profits, which was partially offset by increased operating expenses.

Net Nonoperating Expense. Net nonoperating expense was \$52,000 for the year ended December 31, 1999, which was \$278,000 lower than net nonoperating expense of \$330,000 for the year ended December 31, 1998. Net nonoperating expense consists of interest and financing expense interest income and for 1998, other nonoperating expense. Interest and financing expense for the year ended December 31, 1999 was \$171,000 as compared to \$387,000 for the year ended December 31, 1998. The decrease in interest and financing expense was attributable to a reduction in financing fees that were fully amortized in 1998 and to the fact that the principal amounts outstanding on the Company's term loan were lower in 1999 than 1998. See also "Liquidity and Capital Resources" below. Interest income for the year ended December 31, 1999 was \$118,000, which was \$46,000 higher than interest income of \$72,000 for the year ended December 31, 1998. The increase in interest income was primarily attributable to interest earned on excess cash invested.

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 1999 was \$3.0 million as compared to provision for income taxes of \$2.1 million for the year ended December 31, 1998. The effective combined federal and state tax rate for 1999 was 39.9% as compared to 36.7% for 1998. The increase in provision for income taxes was primarily attributable to increased operating income and the increase in the effective tax rate for 1999. Certain net operating loss carryforwards resulted in a lower effective tax rate in 1998. Such net operating loss carryforwards were not available in 1999.

Net Income. Net income was \$4.5 million for the year ended December 31, 1999, compared to \$3.6 million for the year ended December 31, 1998. The \$915,000 increase in net income was attributable to increased operating income of \$1.5 million and decreased nonoperating expense of \$278,000, which was offset by increased provision for income taxes of \$904,000.

Results of Operations for the Year Ended December 31, 1998 Compared to the Year Ended December 31, 1997.

Net Sales. For the year ended December 31, 1998, net sales were approximately \$53.9 million, an increase of \$10.8 million or 25.1% over the \$43.1 million net sales for the year ended December 31, 1997. The increase in

net sales was primarily attributable to increased sales of the Company's energy functional drink and sales of the Company's three additional functional drinks in 8.2-ounce slim cans introduced in the first quarter of 1998. The increase in sales of functional drinks was attributable in part to the fact that the Company launched its energy functional drink in April 1997 and also that during 1997, the Company did not have any sales of its three additional functional drinks which were introduced in the first quarter of 1998. A portion of the sales of functional drinks during 1998 were attributable to opening orders from distributors prior to their launching such products in their respective territories. Consequently, sales of functional drinks during 1998 may not be indicative of sales that will be achieved from those products in subsequent periods. The increase in net sales was also, to a lesser extent, attributable to the Company's Healthy Start line and apple juice blends which were also launched in 1998, and increased sales of Smoothies in bottles, iced teas, lemonades and juice cocktails. The increase in net sales was partially offset by decreased sales of soda, Smoothies in cans, and the discontinuance of Equator(R) and other marginal products. The decrease in sales of Smoothies in cans was primarily attributable to a large introductory order received during the third quarter of 1997, which was not repeated in 1998 and also to the fact that only a portion of the stores of the customer concerned continue to stock those products.

Gross Profit. Gross profit was \$26.5 million for the year ended December 31, 1998, an increase of \$8.7 million or 48.8% over the \$17.8 million gross profit for the year ended December 31, 1997. Gross profit as a percentage of net sales increased to 49.3% for the year ended December 31, 1998 from 41.4% for the year ended December 31, 1997. The increase in gross profit was primarily attributable to increased net sales as well as cost reductions achieved in certain raw materials and packaging. The increase in gross profit as a percentage of net sales was primarily attributable to higher margins achieved as a result of a change in the Company's product mix.

Total Operating Expenses. Total operating expenses were \$20.6 million for the year ended December 31, 1998, an increase of \$4.6 million or 29.0% higher than total operating expenses of \$16.0 million for the year ended December 31, 1997. Total operating expenses as a percentage of net sales increased to 38.2% for the year ended December 31, 1998, from 37.0% for the year ended December 31, 1997. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses incurred as a result of the Company's increased sales volume which was partially offset by decreased other expenses.

Selling, general and administrative expenses were \$20.2 million for the year ended December 31, 1998, an increase of \$4.7 million or 30.8% higher than selling, general and administrative expenses of \$15.5 million for the year ended December 31, 1997. Selling, general and administrative expenses as a percentage of net sales increased to 37.5% for the year ended December 31, 1998 from 35.9% for the year ended December 31, 1997. Selling expenses were \$14.1 million for the year ended December 31, 1998, an increase of \$3.6 million or 33.9% higher than selling expenses of \$10.5 million for the year ended December 31, 1997. Selling expenses as a percentage of net sales increased to 26.2% for the year ended December 31, 1998 from 24.4% for the year ended December 31, 1997. The increase in selling expenses was primarily attributable to increased costs of promotional allowances and materials primarily to support the expansion of distribution into new markets and to support the placement and sales of the Company's functional drinks in 8.2-ounce slim cans and Smoothies in bottles and, to a lesser extent, increased distribution costs. General and administrative expenses were \$6.1 million for the year ended December 31, 1998, an increase of \$1.2 million or 24.2% higher than general and administrative expenses of \$4.9 million for the year ended December 31, 1997. General and administrative expense as a percent of net sales was 11.4% both for the years ended December 31, 1998 and 1997, respectively. The increase in general and administrative expenses was primarily attributable to increased payroll costs and certain other expenses incurred in connection with the Company's product development and expansion activities into additional states.

Amortization of trademark license and trademarks was \$296,000 for the year ended December 31, 1998, a decrease of \$5,000 from amortization of trademark license and trademarks of \$301,000 for the year ended December 31, 1997.

Other expenses were \$60,000 for the year ended December 31, 1998, a decrease of \$139,000 or 69.8% below other expenses of \$199,000 for the year ended December 31, 1997. This decrease was primarily attributable to the expiration of certain consulting agreements in 1997, which were entered into in connection with the purchase of the Hansen Business. This decrease was partially offset by a new consulting agreement entered into in 1997 with the former president of HBC.

Operating Income. Operating income was \$6.0 million for the year ended December 31, 1998, compared to \$1.9 million for the year ended December 31, 1997. The \$4.1 million increase in operating income was primarily attributable to increased gross profits which was partially offset by increased operating expenses.

Net Nonoperating Expense. Net nonoperating expense was \$330,000 for the year ended December 31, 1998, which was \$262,000 lower than net nonoperating expense of \$592,000 for the year ended December 31, 1997. Net nonoperating expense consists of interest and financing expense, interest income and other expense. Interest and financing expense for the year ended December 31, 1998 was \$387,000 as compared to \$525,000 for the year ended December 31, 1997. The decrease in interest and financing expense was attributable to lower financing fees; less interest incurred on the term loan (refer to "Liquidity and Capital Resources" below); and lower average short-term borrowings during the year ended December 31, 1998 than during 1997. Interest income for the year ended December 31, 1998 was \$72,000 as compared to interest income of \$3,000 for the year ended December 31, 1997. The increase in interest income was primarily attributable to interest earned on excess cash invested. Other expense of \$15,000 for 1998 consists of certain expenses incurred in connection with the discontinuance of operations in the United Kingdom. Other expense for 1997 consisted of a \$70,000 loss incurred on the disposal of certain assets, arising primarily from the closure of the route distribution system

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 1998 was \$2.1 million as compared to provision for income taxes of \$40,200 for the year ended December 31, 1997. The increase in provision for income taxes was primarily attributable to increased operating income, and to a lesser extent, decreased net nonoperating expense and a reduction in the valuation allowance attributable to prior years net operating losses.

Net Income. Net income was \$3.6 million for the year ended December 31, 1998, compared to \$1.3 million for the year ended December 31, 1997. The \$2.3 million increase in net income was attributable to increased operating income of \$4.1 million and decreased nonoperating expense of \$262,000, which was offset by increased provision for income taxes of \$2.0 million.

Liquidity and Capital Resources

As of December 31, 1999, the Company had working capital of \$8,997,000 compared to working capital of \$4,997,000 as of December 31, 1998. The increase in working capital was primarily attributable to net income earned after adjustments for certain noncash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, and compensation expense related to the issuance of stock options. The increase in working capital was partially offset by increases in trademark license and trademarks, the reclassification of a portion of long-term debt to current portion of long-term debt and, to a lesser extent, increases in deposits and other assets and acquisitions of property and equipment, and reclassification of a portion of the deferred tax liability to income taxes payable.

During 1999, the Company's cash reserves were used for working capital including the acquisition of increased inventories and increases in accounts receivable and the acquisition of trademark licenses and trademarks, increases in deposits and other assets, and the acquisition of property and equipment and to reduce long term debt. 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 term loan, 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, 1999 was \$1.5 million as compared to net cash used in investment activities of \$515,000 in 1998. The increase in net cash used in investing activities was primarily attributable to increases in deposits and other assets. This increase was partially offset by a decrease in purchases of property and equipment (including vans and promotional vehicles). 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. In May 1999, the Board of Directors of the Company approved the repurchase by the Company of up to 1,000,000 shares of its outstanding common stock in the market or in privately negotiated transactions. Prior to December 31, 1999, the Company did not repurchase any shares of its outstanding common stock. However, in March 2000, the Company began to implement such repurchase program. Such purchases will be financed through available cash, the Company's line of credit or funds generated from operations. The Company may require additional capital resources in the event of the acquisition by it of any businesses, depending upon the cash requirements relating thereto. Any such transaction and the repurchase of its shares of common stock will also be subject to the terms and restrictions of HBC's credit facilities.

Net cash used in financing activities increased to \$1.6 million for the year ended December 31, 1999 from \$445,000 in 1998. The increase in net cash used in financing activities is primarily attributable to principal payments of \$2.1 million made on long-term debt in the year ended December 31, 1999 as compared to principal payments of \$521,000 made in the year ended December 31, 1998. Additionally, cash generated by the issuance of common stock decreased to \$28,000 in 1999 from \$76,000 in 1998. The increase in net cash used in financing activities was also attributable to a liability of \$431,000 incurred in connection with the acquisition of the Hansen's(R) trademark.

In 1997, a credit facility was granted to HBC by Comerica, consisting of a revolving line of credit of up to \$3 million in aggregate at any time outstanding and a term loan of \$4 million. The utilization of the revolving line of credit by HBC is dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loan are secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. HBC entered into a modification agreement with Comerica as of December 1, 1998 which provides for the original revolving line of credit agreement to be and remain in full force and effect until May 1, 2000 and for the rate of interest payable by HBC on advances under the revolving line of credit to be reduced from 1% above the bank's base (prime) rate to 2 1/2% over the bank's Libor rate or 1/4 of 1 percent above the bank's base (prime) rate, at the option of HBC. As of both December 31, 1999 and 1998, no amounts were outstanding under the revolving line of credit. HBC anticipates that the revolving line of credit will be renewed when it expires on May 1, 2000. However, there can be no assurance that it will, in fact, be renewed, or if renewed that the terms of such renewal will not be disadvantageous to HBC and its business.

The initial use of proceeds under the term loan was to pay the principal balance due by the Company under a note payable to ERLY (refer to "ITEM 3. LEGAL PROCEEDINGS"). As of December 31, 1999, \$1,332,000 was outstanding under the term loan. The term loan is repayable over a period of 60 months from November 1997.

The credit facility imposes quarterly and annual financial covenants requiring the Company to maintain certain financial ratios and achieve certain levels of annual income. The credit facility also contains certain non-financial covenants. At both December 31, 1999 and 1998, the Company was in compliance with all covenants.

Management believes that cash available from operations, including cash resources and 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, repayments under the term loan during 2000, purchases of shares of common stock of the Company, as well as any purchases of capital assets or equipment through December 31, 2000.

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, 1999, the participating countries adopted the euro as their local currency, initially available for currency trading on currency exchanges and noncash 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.

New Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which the Company is required to adopt effective in its fiscal year 2001. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. The Company does not currently engage in hedging activities, but will continue to evaluate the effects of adopting SFAS No. 133. The Company will adopt SFAS No. 133 in its fiscal year 2001.

The Company has adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, during 1999. There was no material impact on the consolidated financial statements as a result.

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. These issues involve systems that are date sensitive and may not be able to properly process the transition from year 1999 to year 2000 and beyond, resulting in miscalculations and software failures. Year 2000 compliance updates were completed in the fourth quarter of 1999 and the Company's information technology ("IT") and non-information technology ("NIT") computer systems completed the transition to the year 2000 without any material issues or problems. The Company estimates expenditures of approximately \$120,000 were incurred to enable the Company to become Year 2000 compliant. No additional expenditures are currently anticipated. The Company has been in contact with critical suppliers, co-packers, customers, and other third parties to determine the extent to which they may be vulnerable to Year 2000 issues. The Company cannot currently predict any future effect of third parties' Year 2000 issues. However, the Company has

not been made aware of any matter which would materially impact the Company's business from third parties.

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;
- 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. 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 chains, specialty chain stores, club stores 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 facilities 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 functional drinks in 8.2-ounce slim cans and Smoothies in 11.5-ounce cans; and

- o The Company's and the Company's customers', co-packers' and suppliers' ability to replace, modify or upgrade computer programs in ways that adequately address Year 2000 issues. Given the numerous and significant uncertainties involved, there can be no assurance regarding their ability to identify and correct all relevant computer codes and imbedded chips and other unanticipated difficulties or the ability of third parties to remediate their respective systems.

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 are not necessarily indicative of annual results or continuing trends.

Sales are expressed in actual cases and case equivalents. A case equivalent is equal to the amount of soda concentrate sold that will yield twenty-four 12-ounce (354 ml) cans measured by volume. Actual cases of soda equal twenty-four 12-ounce cans or 11-ounce (325 ml) bottles, thirty 12-ounce cans, or twelve 23-ounce (680 ml) bottles or twenty-four 14-ounce (414 ml) bottles measured by volume. A case of apple juice and juice blends equals twelve 32-ounce bottles, six 64-ounce glass bottles, eight 64-ounce P.E.T. bottles, four 128-ounce P.E.T. bottles, twenty-four 8.45-ounce (250 ml) tetra-pak boxes or the equivalent volume. A case of non-carbonated iced teas, lemonades and juice cocktails equals twenty-four 16-ounce (473 ml) or fifteen 20-ounce (591 ml) bottles measured by volume. A case of still water equals twenty-four 0.5-liter, twelve 1.0-liter and twelve 1.5-liter plastic bottles measured by volume. A case of fruit juice Smoothies equals twenty-four 11.5-ounce (340 ml) cans or twenty-four 16-ounce or 13.5-ounce (400 ml) or 12-ounce bottles or eight 64-ounce P.E.T. bottles measured by volume. A case of "functional" drinks equals twenty-four 8.2-ounce (243 ml) cans measured by volume. A case of Health Start equals twelve 46-ounce (1.36 L) or eight 64-ounce P.E.T. bottles, measured by volume.

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. Quarterly fluctuations may also be affected by other factors including the introduction of new products including Hansen's(R) functional drinks, 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 and soda concentrates and increased advertising and promotional expenses. See also "ITEM 1. BUSINESS Seasonality."

Case Sales (in Thousands)

	1999	1998	1997	1996	1995
Quarter 1	1,372	1,237	861	940	834
Quarter 2	1,716	1,566	1,383	1,340	1,282
Quarter 3	2,074	1,845	1,648	1,341	1,580
Quarter 4	1,779	1,241	1,234	876	902
Totals	6,941	5,889	5,126	4,497	4,598

Sales Revenues (in Thousands)

	1999	1998	1997	1996	1995
Quarter 1	\$15,229	\$ 11,265	\$ 7,120	\$ 7,365	\$ 5,434
Quarter 2	19,142	13,950	11,496	10,394	9,560
Quarter 3	20,491	16,589	13,439	10,817	12,109
Quarter 4	17,441	12,062	11,002	6,989	6,888
Totals	\$72,303	\$ 53,866	\$ 43,057	\$ 35,565	\$ 33,991

Inflation

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

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-22.

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 presently anticipated that the next annual meeting of stockholders will be held in September 2000.

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 (50) - 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 (47) - 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 of the Company since September 1997. 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 (49) - 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 since September 1997. Member of the Compensation Committee of the Board of Directors of the Company from April 1991 until September 1997. Partner with Whitman Breed Abbott & Morgan LLP (New York, New York) where Mr. Polk has practiced law with that firm and its predecessor, Whitman & Ransom, from August 1976 to the present. 1

Norman C. Epstein (59) - 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. (60) - Director of the Company since July 1992. Consultant to the Company from July 1, 1997 to June 30, 1999. 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 (46) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1998. Managing director at the Los Angeles office of ING Barings LLC, a diversified financial services institution headquartered in the Netherlands. 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, Whitman Breed Abbott & Morgan LLP, 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 fiscal year ended December 31, 1999, all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent stockholders were in compliance, except as follows: Rodney C. Sacks and Hilton H. Schlosberg, both officers and directors of the Company, were late in filing their annual statements of changes in beneficial ownership with respect to employee stock options granted to them during 1999; and Mark S. Vidergauz, a director of the Company, was late in filing his report of beneficial ownership with respect to stock options granted to him in June 1998.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information regarding the total remuneration earned and grants of options/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, 1999. These amounts reflect total cash compensation paid by the Company and its subsidiaries to these individuals during the fiscal years December 31, 1997 through 1999.

SUMMARY COMPENSATION TABLE

Name and Principal Positions	Year	ANNUAL COMPENSATION			Long Term Compensation(4) Awards(5)
		Salary(1)(\$)	Bonus(2) (\$)	Other Annual Compensation (\$)	Securities underlying Options/SARs (#)
Rodney C. Sacks Chairman, CEO and Director	1999	180,000	25,000	6,088 (3)	100,000
	1998	160,000	34,000	1,927,431 (6)	75,000
	1997	160,000	-	12,302 (3)	-
Hilton H. Schlosberg Vice-Chairman, CFO President, Secretary and Director	1999	180,000	25,000	6,088 (3)	100,000
	1998	160,000	34,000	1,689,972 (7)	75,000
	1997	158,030	-	5,572 (3)	-
Mark J. Hall Sr. Vice President Distributor Division	1999	150,000	40,000	7,551 (3)	-
	1998	136,250	65,000	180,982 (8)	30,000
	1997	116,250	40,000	6,327 (3)	120,000
Kirk S. Blower Sr. Vice President Juice Division	1999	110,000	16,800	7,099 (3)	12,500
	1998	111,250	16,800	363,440 (9)	-
	1997	102,850	10,000	7,468 (3)	-
Thomas J. Kelly Secretary and Controller of HBC	1999	98,000	18,000	60,499 (10)	10,000
	1998	93,000	18,000	-	60,000
	1997	91,000	12,500	-	-

(1) SALARY - Pursuant to his employment agreement, Mr. Sacks is entitled to an annual base salary of \$180,000. For 1998 and 1997, Mr. Sacks agreed to a temporary reduction of his annual base salary to \$160,000. Pursuant to his employment agreement, Mr. Schlosberg is entitled to an annual base salary of \$180,000. For 1998, Mr. Schlosberg agreed to a temporary reduction of his annual base salary to \$160,000. For 1997, Mr. Schlosberg agreed to a temporary reduction of his annual base salary to \$158,030.

(2) BONUS - Payments made in 2000, 1999 and 1998 for bonuses accrued in 1999, 1998 and 1997.

(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) LTIP PAYOUTS - None paid. No plan in place.

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

(6) Includes \$1,921,625 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 \$5,806 for automobile expense reimbursement.

(7) Includes \$1,684,125 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 \$5,847 for automobile expense reimbursement.

(8) Includes \$179,660 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 \$1,322 for automobile expense reimbursement.

(9) Includes \$362,040 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 \$1,400 for automobile expense reimbursement.

(10) Includes \$60,499 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.

ALL OTHER COMPENSATION - none paid

OPTION/SAR GRANTS FOR THE YEAR ENDED DECEMBER 31, 1999

Name	Number of Securities underlying Options/SARs granted (#)	Percent of total Options/SARs granted to employees in 1999	Exercise or base price (\$/Share)	Expiration Date	Potential realizable value at assumed annual rates of stock price appreciate for option term	
					5%	10%
Rodney C. Sacks	100,000(1)	23.6%	\$4.25	02/02/2009	267,280	677,340
Hilton H. Schlosberg	100,000(1)	23.6%	\$4.25	02/02/2009	267,280	677,340
Kirk S. Blower	12,500(2)	2.9%	\$4.25	02/02/2005	18,068	40,989
Thomas J. Kelly	10,000(2)	2.4%	\$4.25	02/02/2005	14,454	32,791

(1) 9,500 options to purchase the Company's common stock are exercisable on February 2, 1999; 23,500 are exercisable on February 2, 2000; 23,500 are exercisable on February 2, 2001; 23,500 are exercisable on February 2, 2002; and, 20,000 are exercisable on February 2, 2003.

(2) Options to purchase the Company's common stock become exercisable in equal annual increments over 5 years beginning February 2, 2000.

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31 1999 AND OPTION/SAR VALUES AT DECEMBER 31, 1999

Name	Shares acquired on exercise (#)	Value Realized (\$)	Number of underlying unexercised options/SARs at December 31, 1999 (#)	Value of unexercised in-the-money options/SARs at December 31, 1999 (\$)
			Exercisable/Unexercisable	Exercisable/Unexercisable
Rodney C. Sacks	-	-	47,000 / 90,500(1)	102,711 / 5,702
Hilton H. Schlosberg	-	-	47,000 / 90,500(1)	102,711 / 5,702
Mark J. Hall	-	-	34,000 / 82,000(2)	105,302 / 261,446
Kirk J. Blower	-	-	0 / 12,500(3)	0 / 788
Thomas J. Kelly	15,473	\$ 60,499	44,527 / 10,000(4)	121,247 / 630

(1) Includes options to purchase 37,500 shares of common stock at \$1.59 per share of which all are exercisable at December 31, 1999, 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 9,500 are exercisable at December 31, 1999, 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 24,000 are exercisable at December 31, 1999, 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 10,000 are exercisable at December 31, 1999, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Hall.

(3) Includes options to purchase 12,500 share of common stock at \$4.25 per share of which none are exercisable at December 31, 1999, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Blower.

(4) Includes options to purchase 44,527 shares of common stock at \$1.59 per share of which all are exercisable at December 31, 1999, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Kelly; and options to purchase 10,000 shares of common stock at \$4.25 per share of which none are exercisable at December 31, 1999, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Kelly.

Performance Graph

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

TOTAL SHAREHOLDER RETURNS

ANNUAL RETURN PERCENTAGE

For the years ended December 31,

Company Name/Index	1995	1996	1997	1998	1999
HANSEN NAT CORP	(63.36)	54.59	70.62	196.63	(19.78)
S&P SMALLCAP 600 INDEX	29.96	21.32	25.58	(1.31)	12.40
PEER GROUP	(25.39)	49.88	34.05	(43.03)	9.99

INDEXED RETURNS

For the years ended December 31,

Company Name/Index	Base Period 1994	1995	1996	1997	1998	1999
HANSEN NAT CORP	100	36.64	56.64	96.64	286.67	229.97
S&P SMALLCAP 600 INDEX	100	129.96	157.67	198.01	195.42	219.66
PEER GROUP	100	74.61	111.83	149.91	85.41	93.94

(1) Annual return assumes reinvestment of dividends. Cumulative total return assumes an initial investment of \$100 on December 31, 1994. The Company's self-selected peer group is comprised of Saratoga Beverage Group, Cott Corporation, National Beverage Corporation, Clearly Canadian Beverage Company, Triarc Companies, Inc., Leading Brands, Inc. and Northland Cranberries, all of which traded during the entire five-year period.

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 ending 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 and Chief Financial Officer, for an annual base salary of \$180,000, for the twelve-month period ending 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.

Effective June 30, 1997, Mr. Taber elected to retire and terminated his employment agreement with HBC and entered into a Severance and Consulting Agreement with the Company and HBC (the "Consulting Agreement") pursuant to which, among other matters, HBC agreed to retain Mr. Taber as a consultant for a period of two years at a fixed monthly fee of \$5,000 and Mr. Taber's Stock Option Agreement with the Company dated as of June 30, 1995 was terminated and replaced with a new Stock Option Agreement with the Company dated as of June 20, 1997 (the "Replacement Stock Option Agreement"). Under the terms of the Replacement Stock Option Agreement, Mr. Taber was granted options to purchase 100,000 shares of common stock exercisable until June 30, 1999 at \$1.38 per share. Such options were duly exercised by Mr. Taber during 1998. Mr. Taber remains a director of the Company. In addition, Mr. Taber agreed to repay amounts owed by him to HBC under a certain promissory note by offsetting amounts owed under the note against accrued and unpaid base pay payable under Mr. Taber's employment agreement and amounts payable under the Consulting Agreement, beginning January 1, 1998. Such promissory note was paid in full by Mr. Taber during 1999.

The preceding descriptions of the employment agreements for Messrs. Sacks and Schlosberg and the Consulting Agreement and Replacement Stock Option Agreement with Mr. Taber 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, Benjamin M. Polk and Mark S. Vidergauz earned directors fees of \$8,000 for the one-year period ended December 31, 1999. Harold C. Taber, Jr. earned outside directors fees of \$4,500 for the six-month period ended December 31, 1999.

Employee Stock Option Plan

The Company has a stock option plan (the "Plan") that provides 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. The Plan is administered by the

Compensation Committee of the Board of Directors of the Company, comprised of directors who have not received grants of options under the Plan. Grants under the 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 2, 2000, 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	28.3%
	Rodney C. Sacks (3)	3,944,489 (4)	39.1%
	Hilton H. Schlosberg (5)	3,905,586 (6)	38.7%

(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 2380 Railroad Street, Suite 101, Corona, California 92880.

(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 33,000 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 70,500 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 and a trust for the benefit of 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. Sacks, his children and a trust for the benefit of his children.

(5) The mailing address of Mr. Schlosberg is 2380 Railroad Street, Suite 101, Corona, California 92880.

(6) 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 33,000 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 70,500 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.

(b) The following table sets forth information as to the ownership of shares of Common Stock, as of March 2, 2000, 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	3,944,489(1)	39.1%
	Hilton H. Schlosberg	3,905,586(2)	38.7%
	Harold C. Taber, Jr.	107,419(3)	1.1%
	Benjamin M. Polk	25,600(4)	* %
	Norman C. Epstein	13,149(5)	* %
	Mark S. Vidergauz	4,000(6)	* %

Officers and Directors as a group (6 members):
4,513,754 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 33,000 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 70,500 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 and a trust for the benefit of 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. Sacks, his children and a trust for the benefit of his children.

(2) Includes 348,597 shares of common stock owned by Mr. Schlosberg of which 2,000 shares are owned jointly by Mrs. 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 33,000 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 70,500 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 13,600 shares of the Company's common stock jointly owned by Mr. Polk and his wife. Also include options to purchase 12,000 shares of common stock exercisable at \$1.38 per share, granted under a Stock Option Agreement with the Company dated as of June 30, 1995 pursuant to the Directors Plan.

(5) Includes 13,149 shares of common stock owned by Mr. Epstein.

(6) Includes options presently exercisable to purchase 4,000 shares of common stock, out of options to purchase a total of 12,000 shares, 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 the law firm of Whitman Breed Abbott & Morgan LLP, a law firm retained by the Company since 1992 and in the current fiscal year.

Rodney C. Sacks is current 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 1999 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 1999, 1998 and 1997 were \$121,289, \$151,393 and \$20,092, respectively. The Company continues to purchase promotional items from IFM in 2000.

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, 1999 and 1998	F-3
Consolidated Statements of Income for the years ended December 31, 1999, 1998 and 1997	F-4
Consolidated Statements of Comprehensive Income for the years ended December 31, 1999, 1998 and 1997	F-5
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999, 1998 and 1997	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997	F-7
Notes to Consolidated Financial Statements for the years ended December 31, 1999, 1998 and 1997	F-9

(b) Financial Statement Schedules

Valuation and Qualifying Accounts for the years ended December 31, 1999, 1998 and 1997	F-22
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(c) Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HANSEN NATURAL CORPORATION

By: /s/ RODNEY C. SACKS Date: March 30, 2000

Rodney C. Sacks
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RODNEY C. SACKS ----- Rodney C. Sacks	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 30, 2000
/s/ HILTON H. SCHLOSBERG ----- Hilton H. Schlosberg	Vice Chairman of the Board of Directors, President, Chief Operating Officer, Principal Financial and Accounting Officer and Secretary	March 30, 2000
/s/BENJAMIN M. POLK ----- Benjamin M. Polk	Director	March 30, 2000
/s/ NORMAN C. EPSTEIN ----- Norman C. Epstein	Director	March 30, 2000
/s/ HAROLD C. TABER, JR. ----- Harold C. Taber, Jr.	Director	March 30, 2000
/s/ MARK S. VIDERGAUZ ----- Mark S. Vidergauz	Director	March 30, 2000

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
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 CoPackers Corporation ("CoPackers"), 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 CoPackers 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 CoPackers 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 CoPackers 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, CoPackers, 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)	CoPacking 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. Sacks11
10 (ccc)	Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Hilton S. Schlosberg11

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, 1999 by and between Hansen Natural Corporation and Rodney C. Sacks ¹³
10 (ggg)	Employment Agreement as of January 1, 1999 by and between Hansen Natural Corporation and Hilton S. Schlosberg ¹³
10 (hhh)	Stock Option Agreement dated as of February 2, 1999 by and between Hansen Natural Corporation and Rodney C. Sacks ¹³
10 (iii)	Stock Option Agreement dated as of February 2, 1999 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, 1999 by the Fresh Juice Company of California, Inc. and Hansen Beverage Company. ¹⁵
10 (mmm)	Settlement Agreement dated as of September 1999 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, 1999 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, 1999 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, 1999 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 1999 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.
10 (vvv)	Endorsement and Spokeman Arrangement dated as of February 18, 2000 by and between Hansen Beverage Company and Sammy Sosa.
10 (www)	Standard Industrial Lease Agreement dated as of February 23, 2000 between Hansen Beverage Company and 43 Railroad Partnership L.P.
21	Subsidiaries ⁵
23	Independent Auditors' Consent
27	Financial Data Schedule

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 year ended September 30, 1999.

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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 as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 1999, 1998 and 1997. 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 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, 1999 and 1998, and the consolidated results of its operations and cash flows for the years ended December 31, 1999, 1998 and 1997 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE AND TOUCHE LLP

Costa Mesa, California
March 22, 2000

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1999 AND 1998

ASSETS	1999 ----	1998 ----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,009,155	\$ 3,806,089
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$415,305 in 1999 and \$378,641 in 1998 and promotional allowances of \$1,651,604 in 1999 and \$1,608,123 in 1998)	3,751,258	1,827,544
Inventories, net (Note 3)	9,894,414	5,211,077
Prepaid expenses and other current assets (Note 4)	553,689	244,318
Deferred income tax asset (Note 9)	743,364	630,070
	-----	-----
	16,951,880	11,719,098
 PROPERTY AND EQUIPMENT, net (Note 5)	 504,191	 601,523
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$2,995,285 in 1999 and \$2,687,462 in 1998)	10,768,493	10,003,417
Note receivable from director		20,861
Deposits and other assets	484,388	211,903
	-----	-----
	11,252,881	10,236,181
	-----	-----
	\$ 28,708,952	\$ 22,556,802
	=====	=====
 LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,936,873	\$ 1,870,253
Accrued liabilities	345,794	403,864
Accrued compensation	462,285	476,001
Current portion of long-term debt (Note 7)	863,501	2,072,818
Income taxes payable (Note 9)	346,636	1,269,185
	-----	-----
Total current liabilities	7,955,089	6,092,121
 LONG-TERM DEBT, less current portion (Note 7)	 902,716	 1,334,967
 DEFERRED INCOME TAX LIABILITY (Note 9)	 1,225,271	 1,187,531
 COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY: (Note 10)		
Common stock - \$.005 par value; 30,000,000 shares authorized; 10,010,084 and 9,911,905 shares issued and outstanding in 1999 and 1998, respectively	50,050	49,560
Additional paid-in capital	11,340,074	11,207,765
Retained earnings	7,235,752	2,684,858
	-----	-----
Total shareholders' equity	18,625,876	13,942,183
	-----	-----
	\$ 28,708,952	\$ 22,556,802
	=====	=====

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999 ----	1998 ----	1997 ----
NET SALES	\$ 72,303,186	\$ 53,866,294	\$ 43,057,064
COST OF SALES	38,776,532	27,332,028	25,222,881
GROSS PROFIT	33,526,654	26,534,266	17,834,183
OPERATING EXPENSES:			
Selling, general and administrative	25,337,374	20,217,818	15,452,188
Amortization of trademark license and trademarks	307,823	296,584	301,238
Other operating expenses	380,378	60,000	198,848
Total operating expenses	26,025,575	20,574,402	15,952,274
OPERATING INCOME	7,501,079	5,959,864	1,881,909
NONOPERATING EXPENSE (INCOME):			
Interest and financing expense	170,506	387,446	525,294
Interest income	(118,413)	(72,352)	(3,481)
Other nonoperating expense		14,719	69,745
Net nonoperating expense	52,093	329,813	591,558
INCOME BEFORE PROVISION FOR INCOME TAXES	7,448,986	5,630,051	1,290,351
PROVISION FOR INCOME TAXES (Note 9)	2,971,118	2,066,922	40,200
NET INCOME	\$ 4,477,868	\$ 3,563,129	\$ 1,250,151
NET INCOME PER COMMON SHARE:			
Basic	\$ 0.45	\$ 0.38	\$ 0.14
Diluted	\$ 0.43	\$ 0.34	\$ 0.13
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:			
Basic	9,964,778	9,386,688	9,125,630
Diluted	10,510,604	10,430,727	9,288,642

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999 ----	1998 ----	1997 ----
NET INCOME, as reported	\$ 4,477,868	\$ 3,563,129	\$ 1,250,151
Foreign currency translation adjustment			(127,823)
COMPREHENSIVE INCOME	=====	=====	=====
	\$ 4,477,868	\$ 3,563,129	\$ 1,122,328
	=====	=====	=====

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	Common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Foreign currency translation adjustment	Total shareholders' equity
	Shares	Amount				
Balance, January 1, 1997	9,122,868	\$ 45,614	\$10,847,355	\$ (2,126,100)	\$ 60,582	\$ 8,827,451
Issuance of common stock	8,001	40	10,960			11,000
Foreign currency translation adjustment					(127,823)	(127,823)
Net income				1,250,151		1,250,151
Balance, December 31, 1997	9,130,869	\$ 45,654	\$10,858,315	\$ (875,949)	\$(67,241)	\$ 9,960,779
Issuance of common stock	781,036	3,906	72,051			75,957
Compensation expense related to issuance of nonqualified stock options (Note 10)				64,919		64,919
Reduction of tax liability in connection with the exercise of certain stock options			277,399			277,399
Net income				3,563,129		3,563,129
Balance, December 31, 1998	9,911,905	\$ 49,560	\$11,207,765	\$ 2,752,099	\$ (67,241)	\$ 13,942,183
Issuance of common stock	98,179	490	38,331			38,821
Compensation expense related to issuance of nonqualified stock options (Note 10)				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	\$ 7,302,993	\$ (67,241)	\$ 18,625,876

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
	----	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,477,868	\$ 3,563,129	\$ 1,250,151
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of trademark license and trademarks	307,824	296,584	301,238
Depreciation and other amortization	258,343	246,494	270,114
Loss on disposal of plant and equipment	15,569	317	69,745
Compensation expense related to issuance of stock options	73,026	64,919	
Deferred income taxes	(75,554)	557,461	
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	(1,912,674)	(285,813)	(589,521)
Inventories	(4,683,337)	(1,295,094)	(804,859)
Prepaid expenses and other current assets	(309,371)	(29,850)	117,401
Accounts payable	4,066,620	(324,947)	56,150
Accrued liabilities	(58,070)	(84,943)	360,177
Accrued compensation	(13,716)	153,887	250,142
Income taxes payable	(828,571)	1,508,784	37,800
Net cash provided by operating activities	1,317,957	4,370,928	1,318,538
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(258,543)	(435,838)	(186,570)
Proceeds from sale of property and equipment	81,963		37,945
Increase in trademark license and trademarks	(1,072,900)	(91,885)	(50,209)
Decrease in note receivable from director	20,861	39,391	1,918
(Increase)decrease in deposits and other assets	(272,485)	(26,821)	218,271
Net cash (used in) provided by investing activities	(1,501,104)	(515,153)	21,355
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term borrowings			(893,429)
Increase in long-term debt	431,250		14,546
Principal payments on long-term debt	(2,072,818)	(520,874)	(135,887)
Issuance of common stock	27,781	75,957	11,000
Net cash used in financing activities	(1,613,787)	(444,917)	(1,003,770)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-	(127,823)
NET (DECREASE) INCREASE IN CASH	(1,796,934)	3,410,858	208,300
CASH AND CASH EQUIVALENTS, beginning of year	3,806,089	395,231	186,931
CASH AND CASH EQUIVALENTS, end of year	\$ 2,009,155	\$ 3,806,089	\$ 395,231
SUPPLEMENTAL INFORMATION			
Cash paid during the year for:			
Interest	\$ 184,891	\$ 372,256	\$ 375,821
Income taxes	\$ 3,908,586	\$ 2,400	\$ 2,400

See accompanying notes to consolidated financial statements.

NONCASH TRANSACTIONS:

- 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.
- During 1999, the Company issued 72,866 shares of common stock to employees in connection with a net exercise of options to purchase 93,273 shares of common stock.
- During 1999, the Company issued 8,000 shares of common stock to an employee in connection with the execution of a note receivable in the amount of \$11,040.
- During 1998, the Company reduced its tax liability and increased additional paid in capital in the amount of \$277,399 in connection with the exercise of certain stock options.
- During 1998, the Company issued 554,732 shares of common stock to two officers in connection with a net exercise of options to purchase 725,000 shares of common stock.
- During 1998, the Company issued 138,900 shares of common stock to employees in connection with the net exercise of options to purchase 99,167 shares of common stock.
- During 1998, the Company issued 71,137 shares of common stock to a non-employee in connection with a net exercise of options to purchase 100,000 shares of common stock.

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 subsidiary, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992. HBC conducts all of the Company's operating business and generates all of the Company's operating revenues. 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. The Company also owns all of the issued and outstanding common stock of Hard Energy Company ("HEC") formerly known as CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. Although HEC is currently inactive, the Company plans to commence the marketing and sale of certain beverage products through HEC during 2000. In addition, HBC formerly owned all of the issued and outstanding ordinary shares of its subsidiary located in the United Kingdom, Hansen Beverage Company (UK) Limited ("HBC (UK)"), which ceased operating activities at the end of 1997 and was finally dissolved in July 1999.

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 Smoothies, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, children's multi-vitamin juice products and still water primarily under the Hansen's(R) brand name primarily in certain Western states as well as 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 and HEC and, up until December 31, 1997, HBC's wholly owned subsidiary HBC (UK), since their respective dates of incorporation. All intercompany balances and transactions have been eliminated in consolidation (Note 2).

Reclassifications - Certain reclassifications have been made in the consolidated financial statements to conform to the 1999 presentation.

Translation of Foreign Currencies - Assets and liabilities of the Company's United Kingdom subsidiary for the year 1997 are translated into U.S. dollars at year-end rates of exchange, and income and expenses are translated at average rates during the respective years. The functional currency of the subsidiary is the pound sterling; therefore, translation gains or losses are recorded as a separate component of shareholders' equity (Note 2).

Cash and Cash Equivalents - The Company considers certificates of deposit with original maturities of three months or less to be 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, fixtures, equipment and vehicles is based on their estimated useful lives (three to five 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. 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 amortizes trademark license and trademarks over 40 years.

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, 1999, 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.

Advertising - 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 and general expenses amount to \$5.7 million in 1999, \$4.3 million in 1998 and \$2.9 million in 1997. In addition, the Company supports its customers (including distributors) with promotional allowances, a portion of which are utilized for indirect advertising by them. Promotional allowances amounted to \$6.3 million in 1999, \$5.6 million in 1998 and \$4.0 million in 1997.

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 using the treasury stock method.

Concentration Risk - Certain of the Company's products utilize components from a limited number of sources. A disruption in production 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 is taking steps to secure the availability of alternative sources for such components, to minimize the risk of any disruption in production.

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 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, 1999,

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, 1999, 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 - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which the Company is required to adopt effective in its fiscal year 2000. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. The Company does not currently engage in hedging activities, but will continue to evaluate the effects of adopting SFAS No. 133. The Company will adopt SFAS No. 133 in its fiscal year 2001.

The Company has adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Development or Obtained for Internal Use, during 1999. There was no material impact on the consolidated financial statements as a result.

2. REORGANIZATION OF UNITED KINGDOM OPERATIONS

Sales in the United Kingdom were lower than anticipated during 1997. In consequence, the Company's foreign subsidiary, HBC (UK) ceased operating activities at the end of 1997 and was finally dissolved in July 1999. Beginning in 1998, the Company dealt with its distributor in the United Kingdom from its corporate offices in California from which it exports its products to such distributor.

3. INVENTORIES

Inventories consist of the following at December 31:

	1999	1998
	----	----
Raw materials	\$ 3,615,269	\$1,815,040
Finished goods	6,442,193	3,664,270
	-----	-----
	10,057,462	5,479,310
Less inventory reserves	(163,048)	(268,233)
	-----	-----
	\$ 9,894,414	\$5,211,077
	=====	=====

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

In January 1994, the Company entered into an agreement with a barter company for the exchange of certain inventory for future advertising and marketing credits. The Company assigned a value of \$490,000 to these credits based on the net realizable value of the inventory exchanged. As of December 31, 1999, unused advertising and marketing credits totaled \$203,000. Although such credits remain available for use by the Company through January 2002, management was unable to estimate their remaining net realizable value at December 31, 1997. Accordingly, in the year ended December 31, 1997, the Company fully reserved against and expensed such advertising and marketing credits.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	1999 ----	1998 ----
Leasehold improvements	\$ 61,277	\$ 55,305
Furniture and office equipment	546,105	523,650
Equipment and vehicles	768,576	826,599
	-----	-----
	1,375,958	1,405,554
Less accumulated depreciation	(871,767)	(804,031)
	-----	-----
	\$ 504,191	\$ 601,523
	=====	=====

6. SHORT-TERM BORROWINGS

In 1997, a credit facility was granted to the HBC by Comerica Bank-California ("Comerica") consisting of a revolving line of credit of up to \$3 million in aggregate at any time outstanding and a term loan of \$4 million. The utilization of the revolving line of credit by HBC is dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loan are secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. HBC entered into a modification agreement with Comerica as of December 1, 1998 which provides for the original revolving line of credit agreement to be and remain in full force and effect until May 1, 2000 and for the rate of interest payable by HBC on advances under the revolving line of credit to be reduced from 1% above the banks base (prime) rate to 2 1/2% over the bank's Libor rate or 1/4 of 1 percent above the bank's base (prime) rate, at the option of HBC. As of both December 31, 1999 and 1998, no amounts were outstanding under the revolving line of credit.

7. LONG-TERM DEBT

As discussed in Note 6 above, HBC obtained a credit facility from Comerica consisting of a term loan of up to \$4 million or such lesser amount as was necessary, to retire a subordinated secured promissory note executed by HBC in favor of ERLY Industries, Inc. ("ERLY") in the principal sum of \$4 million (the "ERLY Note"). The full amount due under the ERLY Note was paid during November 1997. The term loan will be repayable by October 2001 and requires variable monthly payments of principal and interest which escalate over time. The interest rate payable on the term loan is 1.5% above the bank's base rate (8.5% as of December 31, 1999).

The term loan contains quarterly and annual financial covenants requiring the Company to maintain certain financial ratios and maintain certain levels of net worth. The term loan also contains certain non-financial covenants. At both December 31, 1999 and 1998, the Company was in compliance with all covenants.

Long-term debt consists of the following at December 31:	1999 ----	1998 ----
Note payable to Comerica, collateralized by substantially all of HBC's assets, payable in variable amounts of principle and interest which escalate over time, at an effective interest rate of 10% and 9.25% as of December 31, 1999 and 1998, respectively, payable by October 2001	\$1,331,881	\$3,399,996
Note payable related to the acquisition of the Hansen trademark and trade name payable in three equal annual installments of \$143,750, due between August 2, 2000 and August 2, 2002	431,250	
Other	3,086	
	-----	-----
	1,766,217	3,407,785
Less: current portion of long-term debt	(863,501)	(2,072,818)
	-----	-----
	\$902,716	\$1,334,967
	=====	=====

Long-term debt is payable as follows:

Year ending December 31:	
2000	\$ 863,501
2001	758,967
2002	143,749

	\$1,766,217
	=====

Interest expense amounted to \$168,131, \$368,896, and \$488,388 for the years ended December 31, 1999, 1998 and 1997.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases - The Company's warehouse facility and corporate offices are leased for a period of 89 months commencing on September 19, 1997, when the Company first occupied the warehouse facilities. On March 1, 1998, the corporate offices of the Company were relocated to such premises in Corona, California. The facility lease and certain equipment under non-cancelable operating leases expire through 2005. Rent expenses related to the Corona facility and other non-cancelable equipment leases amounted to \$391,000, \$369,000 and \$157,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

Future minimum rental payments at December 31, 1999 under such leases referred to above are as follows:

Year ending December 31:	
2000	\$ 361,284
2001	367,205
2002	369,700
2003	377,084
2004	381,816
Thereafter	31,818

	\$1,888,907
	=====

On February 23, 2000, the Company agreed to lease a new facility commencing from August 1, 2000 for a term of ten (10) years and which will replace the current lease (Note 15).

Employment and Consulting Agreements - The Company entered into an employment agreement with Rodney C. Sacks dated as of January 1, 1999, pursuant to which Mr. Sacks renders services to the Company as its Chairman and Chief Executive Officer, and entered into an employment agreement with Hilton H. Schlosberg dated as of January 1, 1999, pursuant to which Mr. Schlosberg renders services to the Company as its Vice Chairman, President and Chief Financial Officer for an annual base salary of \$180,000 each, and 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 and 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.

Effective June 30, 1997, Mr. Harold C. Taber, Jr., former President and Chief Executive Officer of HBC, elected to retire and terminated his employment agreement with HBC and entered into a Severance and Consulting Agreement with the Company and HBC (the "Consulting Agreement") pursuant to which, among other matters, HBC agreed to retain Mr. Taber as a consultant for a period of two years at a fixed monthly fee of \$5,000. In terms of the Consulting Agreement, Mr. Taber's existing Stock Option Agreement dated as of June 30, 1995, was terminated and substituted with a new Stock Option Agreement dated as of June 20, 1997 (the "Replacement Stock Option Agreement") between the parties. Under the terms of the Replacement Stock Option Agreement, Mr. Taber was granted options to purchase 100,000 shares of the Company's common stock, outside the Company's stock option plans (Note 10), exercisable until June 30, 1999, at \$1.38 per share. Such options were duly exercised by Mr. Taber during 1998. Mr. Taber remains a director of the Company. In addition, other than with respect to certain restrictive covenants, Mr. Taber agreed to repay amounts owed by him to HBC under a certain promissory note by offsetting amounts owed under the note against accrued and unpaid base pay payable under Mr. Taber's employment agreement and amounts payable under the Consulting Agreement, beginning January 1, 1998. Such promissory note was paid in full by Mr. Taber during 1999.

Endorsement Arrangement - Effective February 22, 2000, the Company entered into an Endorsement and Promotion Arrangement ("Endorsement Arrangement") with a nationally recognized sports figure for the endorsement and promotion of certain Hansen's products. The Endorsement Arrangement calls for payments up to an aggregate of \$700,000 over a period of two years, subject to the due performance by the sports figure of his endorsement and promotion obligations in terms of that arrangement. The Endorsement Arrangement provides for additional compensation to be paid to the sports figure in the event that sales of Hansen's(R) energy drinks exceed certain specified thresholds. The Company has the right to terminate the Endorsement Arrangement in the event that the endorsement and promotion obligations undertaken by the sports figure concerned are not met or predetermined sales levels of Hansen's(R) energy drinks are not achieved.

Supplier Arrangements - During 1998, the Company entered into an arrangement with one of its co-packers, pursuant to which certain modifications were made to that co-packer's equipment to enable it to produce certain products on behalf of the Company. In consideration thereof, the Company agreed to pack a minimum number of cases of products over a four-year period. Should the Company fail to pack the agreed minimum number of cases of products over such period, the Company will be liable to reimburse the co-packer for a proportionate share of the cost thereof based on such shortfall. Based on the volume levels achieved by the Company in the past and its expected volume levels, the Company does not believe that it will incur any liability in connection with the above arrangement. However, such co-packer has experienced difficulties in producing the products covered by such arrangement and has been informed by such co-packer that they may terminate the co-packing arrangement. Management believes that, in the event of the co-packers terminating the arrangement, the Company is not liable for any damages or claims to the co-packer as a result of not achieving the minimum volume levels, or to the extent that the Company may have any liability, that the Company would be indemnified by a third party supplier.

During March 1999, the Company entered into an arrangement with its glass supplier pursuant to which its glass supplier agreed to install a shrink sleeve-labeling machine at its plant to facilitate the pre-labeling of its glass bottles at the point of manufacture. In consideration thereof, the Company agreed to have a minimum quantity of such labels applied to its glass bottles over a four-year period. Should the Company fail to have the agreed minimum quantity of labels applied over such period, the Company will be liable to compensate its supplier for a proportionate share of the cost thereof based on such shortfall. Based on volumes levels achieved by the Company in the past and its expected volume levels, the Company does not believe that it will incur any liability in connection with this arrangement.

Purchase Commitments - As of December 31, 1999, the Company had open purchase commitments for certain raw materials of approximately \$2,721,080.

Litigation - The Company is subject to 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.

9. 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:

	1999	Year Ended December 31, 1998	1997
	----	----	----
Current income taxes:			
Federal	\$2,409,512	\$1,180,688	\$ -
State	637,160	328,773	40,200
	-----	-----	-----
	\$3,046,672	\$1,509,461	\$ 40,200
	=====	=====	=====
Deferred income taxes:			
Federal	\$ (97,681)	\$ 675,528	\$ (89,215)
State	22,127	159,813	(38,435)
Less change in valuation allowance	-	(277,880)	127,650
	-----	-----	-----
	(75,554)	557,461	-
	-----	-----	-----
	\$2,971,118	\$2,066,922	\$ 40,200
	=====	=====	=====

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,		
	1999	1998	1997
	----	----	----
Income tax provision using the statutory rate	\$2,532,655	\$1,914,217	\$ 438,719
State taxes, net of federal tax benefit	434,604	295,272	40,200
Change in utilization of certain net operating losses		106,718	
Permanent differences	3,859	6,318	
Effect of foreign corporation			(520,678)
Other		22,277	(45,691)
Change in valuation allowance		(277,880)	127,650
	-----	-----	-----
	\$2,971,118	\$2,066,922	\$ 40,200
	=====	=====	=====

Major components of the Company's deferred taxes at December 31 are as follows:

	Year Ending December 31,		
	1999	1998	1997
	----	----	----
Net operating loss carryforwards - Non-Separate Return Loss Year Limitation ("SRLY")	\$ -	\$ -	\$ 653,290
Net operating loss carryforwards - SRLY			101,160
Net operating loss carryforwards - state			107,021
Reserves for returns	111,681	79,311	61,730
Reserves for bad debts	45,192	56,657	28,860
Reserves for obsolescence	69,850	114,911	161,967
Reserves for marketing's development fund	159,327		
Capitalization of inventory costs	72,670	34,272	25,980
State franchise tax	267,189	141,000	(31,383)
Accrued compensation	17,456	203,919	139,474
Stock-based compensation	59,096		
Amortization of trademark license	(1,412,994)	(1,161,652)	(920,997)
Amortization of graphic design	124,664		
Depreciation	3,962	(25,879)	(49,223)
	-----	-----	-----
	(481,907)	(557,461)	277,879
Less valuation allowance	-	-	(277,879)
	-----	-----	-----
	\$ (481,907)	\$ (557,461)	\$ -
	=====	=====	=====

During the year, the Company was subject to an audit by the Internal Revenue Service ("IRS Audit") for the years ending December 31, 1998, 1997 and 1996. Based on the results of the IRS Audit, certain deductions taken in certain years were postponed until later years. The effect thereof on the Company's provision for income taxes for the year ended December 31, 1999 was immaterial.

10. STOCK OPTIONS AND WARRANTS

The Company has two stock option plans, the Employee Stock Option Plan ("the Plan") and the Outside Directors Stock Option Plan ("Directors Plan").

The Plan provided for the granting of options to purchase not more than 2,000,000 shares of Hansen common stock to key employees of the Company and its subsidiaries. During 1999, the Company amended the Plan to provide for an additional 1,000,000 shares to be granted under the Plan. 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, 1999, options to purchase 2,070,800 shares of Hansen common stock had been granted under the Plan, net of options that have expired, and options to purchase 929,200 shares of Hansen common stock remained available for grant under the Plan (Note 15).

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, 1999, 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 remain available for grant.

Information regarding the Plan and the Directors Plan is as follows:

	1999 ----		1998 ----		1997 ----	
	Shares	Weighted Average Exercise Price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of year	833,900	\$1.49	1,475,500	\$1.34	1,332,000	\$1.37
Options granted	424,000	\$4.38	297,500	\$2.04	370,500	\$1.10
Options exercised	(93,573)	\$1.35	(919,900)	\$1.49	-	-
Options canceled or expired	(71,000)	\$1.82	(19,200)	\$1.11	(227,000)	\$1.11
	-----	-----	-----	-----	-----	-----
Options outstanding, end of year	1,093,327	\$2.60	833,900	\$1.49	1,475,500	\$1.34
	=====		=====		=====	
Option price range end of year		\$0.75 to \$5.25		\$0.72 to \$4.50		\$0.72 to \$1.79

The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized for the stock option plans. The impact of stock options granted prior to 1996 has been excluded from the pro forma calculation; accordingly, the 1999, 1998 and 1997 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation may apply to all applicable stock options. 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 1997 through 1999 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:

	1999	1998	1997
	----	----	----
Net income, as reported	\$4,477,868	\$3,563,129	\$1,250,151
Net income, pro forma	\$4,176,799	\$3,383,375	\$1,121,473
Net income per common share, as reported			
Basic	\$.45	\$.38	\$.14
Diluted	\$.43	\$.34	\$.13
Net income per common share, pro forma			
Basic	\$.42	\$.36	\$.12
Diluted	\$.40	\$.32	\$.12

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 for grants in:

	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Lives
	-----	-----	-----	-----
1999	0%	60%	4.8%	5 years
1998	0%	72%	5.2%	4 years
1997	0%	43%	6.0%	3 years

The Company has granted warrants to various non-employees to purchase shares of Hansen common stock. Such warrants vest in various increments over an eighteen-month to three-year period.

Information regarding non-employee stock options is as follows:

	1999		1998		1997	
	-----	-----	-----	-----	-----	-----
	Shares	Weighted Average Exercise Price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
	-----	-----	-----	-----	-----	-----
Options outstanding, Beginning of year	225,000	\$2.29	145,000	\$ 1.42	812,500	\$ 3.57
Options granted	-		180,000	\$ 2.48	100,000	\$ 1.38
Options exercised	(30,000)	\$1.50	(100,000)	\$ 1.38	-	
Options canceled or expired	(58,000)	\$2.50	-		(767,500)	\$ 3.69
	-----	-----	-----	-----	-----	-----
Options outstanding, end of year	137,000	\$2.37	225,000	\$ 2.29	145,000	\$ 1.42
	=====		=====		=====	
Option price range, end of year		\$1.50 to \$3.75		\$ 1.50 to \$ 3.75		\$1.38 to \$1.50

The following table summarizes information about fixed-price stock options and warrants outstanding at December 31, 1999:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number outstanding at December 31, 1999	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 1999	Weighted average exercise Price
\$.75 to \$1.38	322,400	3	\$1.02	102,400	\$1.01
\$1.50 to \$1.59	286,427	3	\$1.58	264,027	\$1.59
\$1.72 to \$2.50	150,500	3	\$2.25	115,666	\$2.35
\$3.72 to \$4.31	321,000	7	\$4.22	33,000	\$4.03
\$4.44 to \$5.25	150,000	5	\$4.64	5,000	\$4.50
	-----			-----	
\$.75 to \$5.25	1,230,327			520,093	
	=====			=====	

11. 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 the participants' earnings. Matching contributions were \$37,274, \$29,438, and \$20,390 in 1999, 1998 and 1997, respectively.

12. MAJOR CUSTOMERS AND SEGMENTATION

One customer accounted for approximately 25% and 27% of the Company's sales for the years ended December 31, 1999 and 1998, respectively. Two customers accounted for approximately 29% and 11%, respectively, of the Company's sales for the year ended December 31, 1997. A decision by any of these major customers 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.

The Company has determined that it has only one operating segment but manages its business by distribution channel through a warehouse and distributor function. The percentages of the Company's sales represented by each of those functions over the past three years is set out in the table below.

	1999	1998	1997
Warehouse	67%	67%	80%
Distributor	32%	32%	19%
Export	1%	1%	1%

13. LEGAL PROCEEDINGS

The second stage of the trial in HBC's action against ERLY Industries, Inc. ("ERLY") in the Superior Court for the State of California, was held in July 1997 for the sole purpose of determining the amount of HBC's damages, if any, resulting from ERLY's breach of certain rights of first refusal provisions contained the "ERLY Note". In November 1997, the court held that HBC had not suffered any damages as a result of ERLY's breach of the ERLY Note. HBC has filed an appeal against that judgment. A motion was made by ERLY for the costs of such action to be

awarded in its favor, which was dismissed by the court. ERLY has filed a cross appeal on that issue. The full amount due under the ERLY Note was paid in November 1997 with the proceeds of a term loan obtained by the Company from Comerica Bank - California ("Comerica"). During 1998, ERLY filed for bankruptcy and the appeal was consequently stayed by law. The Company has filed a claim against ERLY. Although the trustee initially rejected the claim, discussions are currently taking place in an endeavor to agree on a figure for the principal amount of the Company's unsecured claim to avoid the necessity for HBC to pursue the appeal. The ultimate outcome of this matter cannot presently be predicted.

Towards the end of 1998, HBC, together with the Trustee of the Hansen Trust, commenced arbitration proceedings before the American Arbitration Association in Los Angeles, California, against FJC, the former Trustees of the Trust, and a company called Hansen's Juice Creations LLC ("Creations"), in which HBC and the Trustee claimed, among other matters: (i) that certain acts of the former Trustees of the Trust constituted breach of trust; (ii) a certain license agreement purportedly entered into between the former Trustees of the Trust and Creations (the "Purported Agreement") was, in whole or in part, void or terminable by the Trust; and (iii) certain acts of Creations constituted infringement of the Hansen's(R) trademark and certain acts of FJC constituted contributory infringement of the Hansen's(R) trademarks. HBC and the Trustee sought damages and injunctive relief against FJC and Creations. Such proceedings were settled in September 1999. Pursuant to written settlement agreements among the various parties to such proceedings, the Purported Agreement was terminated by mutual consent, the right of the successor to Creations to use the Hansen's(R) trademark on limited, but clearly defined, fresh juice products, was clarified and agreed upon, and certain other matters relating to and concerning the use of the Hansen's(R) trademark, were resolved.

The Company is subject to 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.

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 routine litigation incidental to the Company's business.

14. RELATED PARTY

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 1999, 1998 and 1997 were \$414,932, \$173,673 and \$186,033, respectively.

A director of the Company was a consultant to the Company from July, 1997 to June, 1999. Expenses incurred to such director in connection with consulting services rendered to the Company during 1999, 1998 and 1997 were \$30,000, \$60,000 and \$30,000 respectively.

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 in 1999, 1998 and 1997 were \$121,289, \$151,393 and \$20,092, respectively.

15. SUBSEQUENT EVENT

Subsequent to year-end, the Company granted options to certain employees to purchase 57,000 shares of Hansen common stock under the Plan at exercise prices ranging from \$4.14 to \$4.50 per share.

On February 23, 2000, the Company entered into a new lease agreement for a 113,600 square foot facility in Corona, California, commencing on August 1, 2000. The term of the lease is ten (10) years with increases in the monthly rental payments during the third, sixth and eighth years. Upon commencement of the new lease, the lease for the existing premises will terminate by mutual consent.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period

Allowance for doubtful accounts, sales returns and cash discounts:				
1999	\$ 378,641	1,478,889	(1,442,225)	\$ 415,305
1998	\$ 315,629	1,432,404	(1,369,392)	\$ 378,641
1997	\$ 234,749	1,090,929	(1,010,049)	\$ 315,629
Promotional allowances:				
1999	\$1,608,123	6,337,903	(6,294,422)	\$1,651,604
1998	\$1,067,749	5,584,000	(5,043,626)	\$1,608,123
1997	\$ 926,045	4,034,845	(3,893,141)	\$1,067,749
Inventory reserves:				
1999	\$ 268,233	151,091	(256,276)	\$ 163,048
1998	\$ 383,227	4,027	(119,021)	\$ 268,233
1997	\$ 120,543	253,514	9,170	\$ 383,227

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, 2000, appearing in the Annual Report on Form 10-K of Hansen Natural Corporation for the year ended December 31, 1999.

/s/ DELOITTE AND TOUCHE LLP

Costa Mesa, California
March 30, 2000

FOURTH AMENDMENT
TO
REVOLVING CREDIT LOAN AND SECURITY AGREEMENT

THIS FOURTH AMENDMENT TO REVOLVING CREDIT LOAN AND SECURITY AGREEMENT is dated March 28, 2000 by and between HANSEN BEVERAGE COMPANY, a Delaware corporation (herein referred to as the "Borrower") and COMERICA BANK-CALIFORNIA, a California banking corporation (herein referred to as the "Bank").

RECITALS

A. Borrower and the Bank entered into a Revolving Credit Loan and Security Agreement dated May 15, 1997 (the "Agreement"), and certain other related documents pursuant to which the Bank agreed to make loans and advances to the Borrower under the terms and conditions set forth therein; and

B. Pursuant to the Agreement, on October 14, 1997, Borrower executed a Term Loan Note in the original principal amount of \$4,000,000 (the "Term Loan Note")

C. The Borrower and the Bank have previously (i) amended the Agreement by entering into a Modification to Loan & Security Agreement dated as of May 11, 1998 (the "First Amendment"), a Modification to Loan & Security Agreement dated as of July 27, 1998 (the "Second Amendment"), a Modification to Revolving Credit Loan & Security Agreement, an Addendum to Revolving Credit Loan & Security Agreement dated December 1, 1998 and an Inventory Rider to Revolving Credit Loan and Security Agreement dated as of December 1, 1998 (collectively, the "Third Amendment") and (ii) amended the Term Loan Note by entering into a Loan Revision/Extension Agreement dated June 14, 1999 (the "Note Amendment").

D. The Borrower has requested that the Bank make certain changes in the Term Loan Note and conforming changes to the Agreement.

E. On the basis of the foregoing, the Bank and the Borrower have agreed to modify the Agreement, as heretofore amended, in accordance with the provisions of this Fourth Amendment set forth below.

NOW, THEREFORE, the Borrower and the Bank agree as follows:

1. The obligation of the Bank to amend the provisions of the Agreement as set forth herein is subject to the fulfillment, to the satisfaction of the Bank, of each of the conditions set forth in Section 5.1 of the Agreement, as well as each of the foregoing conditions:

(a) Each Guarantor shall have executed the confirmation of guaranty in the form on the signature page of this Amendment.

(b) Borrower shall have provided all security agreements and instruments, financing statements and amendments to the foregoing, if any, as the Bank shall in its discretion require.

(c) Borrower shall have paid all fees and expenses required, if any, by the Bank.

(d) If required by the Bank, Bank shall have received UCC record and copy searches, evidencing the appropriate filing and recording of all Financing Statements and disclosing no notice of any liens or encumbrances filed against any of the Collateral other than the Financing Statements or the Permitted Liens.

(e) Bank shall have received certified resolutions of Borrower and Guarantor reflecting the taking of all necessary corporate action to authorize the transactions contemplated herein in form and substance satisfactory to the Bank.

(f) The Borrower shall have delivered the Amended and Restated Variable Rate Promissory Note in the form attached hereto as Exhibit A, in fully executed form, against delivery of the original Term Loan Note marked void.

2. The definition of "Net Income" set forth in Section 1.26 is amended and restated to read in its entirety as follows:

.... Net Income" as used in this Agreement means the net income (or loss) of a person for any period determined in accordance with GAAP excluding in any event:

(a) any gains or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, and any taxes on the excluded gains and any tax deductions or credits on account of any excluded losses;

(b) in the case of the Borrower, net earnings of any person in which Borrower has an ownership interest other than a consolidated subsidiary of Hansen Natural, unless such net earnings shall have actually been received by Borrower in the form of cash distributions."

3. The definition of "Profit Recapture Payments" set forth in Section 1.30 is deleted.

4. The definition of "Term Loan Note" set forth in paragraph 1.35 is amended and restated to read in its entirety as follows:

.... Term Loan Note" shall mean the Amended and Restated Variable Rate Promissory Note in the form attached hereto as Exhibit A."

5. Paragraph a. of Section 6.8 is amended and restated to read in its entirety as follows:

"Borrower will not make any distribution or declare or pay any dividend (in stock or in cash) to any shareholder or on any of its capital stock, of any class, whether now or hereafter outstanding, or purchase, acquire, redeem or retire any such capital stock; provided, however, that Borrower may declare and pay a cash dividend in cash or in stock in an amount not in excess of current retained earnings."

6. Paragraph a. of Section 6.16 of the Agreement is amended to read as follows:

"Working Capital in an amount not less than \$1,000,000 as of the date of this Amendment, as of the end of the fiscal quarter ending June 30, 1999 and as of the end of each fiscal quarter thereafter."

7. Paragraph b. of Section 6.16 of the Agreement is amended to read as follows:

"Net Worth in an amount not less than (i) for the fiscal quarters ending June 30, 1999 and September 30, 1999, \$10,000,000 and (ii) for the fiscal quarter ending December 31, 1999, \$10,000,000 plus an amount equal to 75% of Net Income for the 1999 fiscal year."

8. Without affecting in any way the continuing effect of the representations and warranties contained in the Agreement, Borrower represents and warrants to the Bank that each of said representations are true and correct as of the date of this Fourth Amendment.

9. Except as otherwise provided herein and in the First Amendment, the Second Amendment, the Third Amendment and the Note Amendment, the Agreement shall remain in full force and effect in accordance with its original terms.

IN WITNESS WHEREOF, the Borrower and the Bank have caused this Fourth Amendment to be executed by their duly authorized officers as of the day and year set forth in the Introductory Paragraph to this Fourth Amendment.

HANSENS BEVERAGE COMPANY

By: /s/ Rodney Sacks
Print: Rodney Sacks
Name:
Its: Chairman

COMERICA BANK-CALIFORNIA

By: /s/ William Purcell
Print: William Purcell
Name:
Its: Vice President

February 18, 2000

Mr. Sammy Sosa

Dear Mr. Sosa:

I refer to the discussions that have taken place between your representatives, Domingo Dayhajre, Jimmy Tiberia and Rick Nunley on the one hand, and Mark Hall, the Senior Vice-President of our Distributor Division, on the other hand. We set out below our proposed endorsement and spokesman arrangement with you, for your consideration.

1. Throughout the term of the arrangement, you:

A. Grant to us the exclusive right to use your name, likeness, photograph, voice and endorsement on and in connection with the packaging, marketing, advertising, general promotion and sale of Hansen's Functional Energy drinks in 8-oz cans (hereinafter referred to as the "Products"), in every area in which we now and may at any time during the term of this arrangement do business or sell any of the Products. You represent and warrant to us that you have not heretofore made any contract or commitment in conflict with this grant. This license will be exclusive to us, but only insofar as the Products are concerned. You will have the right to authorize the use of your name and likeness for any other beverages that do not compete with the Products or for any other purpose at any time. You will make yourself available for a photo shoot (which shall comprise several poses) at such times and places as may be reasonable, for use by us in terms hereof. You will have the right of final approval over the use by us of your photograph, likeness and voice to ensure that the commercials and materials are consistent and compatible with your current image, provided however that such approval shall not be unreasonably withheld by you.

B. Agree and undertake to ensure product exposure for Hansen's Energy drinks during nationally televised interviews with you and other appearances by you on television, with a minimum of 15 Qualifying Product Exposures (as defined below) of Hansen's Energy drinks during nationally televised interviews with you between March 1 and October 31 in each year during the term of this arrangement and with no less than six (6) such exposures between March 1 and June 30 and no less than six (6) such exposures between July 1 and October 31. Qualifying Product Exposures shall be required to meet the following minimum criteria:

Hansen's Energy drinks to be held by you and be clearly visible to viewers on nationally televised interviews. The can, colors and name of the product are to be clearly visible and legible to uninformed viewers (including when product placed on table in front of you or in locker behind you during interviews) for a minimum of 15 continuous seconds per exposure. During the course of each such 15 second exposure, you are to be seen holding and/or drinking the product.

Without in any way detracting from your obligations to provide ongoing product exposure for Hansen's Energy drinks during nationally televised interviews with you and other appearances by you on television, over and above the minimum number of Qualifying Product Exposures provided above and pursuant to Paragraph 1-C below, (which shall continue throughout the term of this arrangement), Hansen's shall be entitled, but not obliged, to request you, in writing, to provide additional Qualifying Product Exposures in any year during the term, and in such event, you shall be entitled to payment of an additional fee of \$_____ in respect of each additional Qualifying Product Exposure (as defined above) that Hansen's may, in writing, request you to provide.

C. Agree to actively endorse and promote the Products, emphasize its attributes and deliver product messages and endorsements thereof, including, but without in any way limiting the generality of the foregoing, the following:

- i) Promote and endorse the Products both on and off the air.
- ii) Drink the Products during interviews and whenever feasible and appropriate.
- iii) Include the Products at events and at personal appearances and whenever appropriate and, on occasion, wear quality Hansen's wearables.

D. Agree, for an additional fee of \$_____, to appear for a full day to participate in the production and shooting of a television commercial(s).

E. Agree to appear at such time or times as may be reasonable for one full day per year during the term of this agreement to participate in the production at such session of such number of radio commercials as may be reasonably feasible during the course of that day.

F. Agree, subject to prior commitments, at or immediately after signing this arrangement, to attend a press conference to announce the endorsement by you of Hansen's Energy drinks in terms of this arrangement, and further to attend a minimum of two (2) meet and greet sessions per year during the term of this arrangement on our behalf. Such meet and greet appearances shall be for a reasonable length of time in the circumstances. We will give you 28 days notice of the date(s) for any proposed meet and greet appearances and you will advise us within seven (7) days whether you are or are not available on the designated date(s) and place(s). Should you not respond within seven (7) days, your failure will constitute your acceptance of the designated date(s) and place(s). G. Agree that if, in connection with the performance by you of your services hereunder, you are required to travel in excess of 50 miles, which you would otherwise not have been required to do, we will reimburse you (and one other person in your party) for first class round-trip travel expenses and first class hotel accommodations incurred solely for the purpose of fulfilling your obligations created by this arrangement.

H. Agree that we will have the right to use, reproduce, print, publish and distribute your name, picture, portrait, photograph, likeness, voice and

biographical materials in any manner including, without limitation on, for or in connection with the marketing, advertising, promotion and sale of the Products and/or in identification of and/or as an endorsement for all of the Products including our attributing to you such statements on behalf of the Products as we deem desirable. You shall have the right of final approval of all statements which are released and attributed to you, which approval may not, however, be unreasonably withheld by you. In addition to our rights set forth above, we shall have the right to use (and may authorize others) to use, reproduce, print, publish and distribute your name, picture, portrait, photograph, likeness and voice in commercial tie-ins and merchandise tie-ins with or for any of the Products. Notwithstanding anything to the contrary contained in this agreement, the rights granted to us hereunder shall remain in effect following the termination or the expiration of the term hereof and we may continue, without limitation, to, advertise, promote, distribute or sell all Products and/or merchandising aids and/or materials that may have been created, produced and/or manufactured prior to the termination or expiration of the term of this arrangement.

I. Acknowledge and agree that all right, title and interest in and to any and all materials created or furnished for and in connection with the services rendered hereunder which embody the results of your services including, but not limited to, ideas, creations, properties, recordings, films, photographs, television and radio commercials and other tangible/intangible materials shall be, become and remain our sole and exclusive property during and after the term hereof, whether the same were furnished by you or any other party, without additional compensation to you. Without limiting the generality of the foregoing, we may edit, revise, touchup, adapt and combine with other materials, any photographs, drawings, films, recordings or other materials containing your name, likeness, voice or other results of your services. We may use any television or radio commercials, as seasonal or dealer commercials

J. Agree that you will use your best efforts in rendering your services hereunder and perform these services in cooperation with us and such other parties as we may designate and will attend and participate in pre- and production conferences and meetings, make-up, costume fitting appointments and other activities necessary or appropriate for the proper performance of your services to be rendered hereunder.

K. Agree that you will not, during the term of this arrangement and for up to six (6) months following the termination or expiration hereof, render services to, furnish materials to or authorize or permit the use of your name, picture, likeness, voice, biographical materials or endorsements by others for and on behalf or in connection with any products competitive to any of the Products.

L. Agree that you shall not have, nor claim to have, either under this arrangement or otherwise, any right, title or interest of any kind or nature in and to any advertising ideas, announcements, phrases, titles, music, words, commercials, whether originated and supplied by us and/or on our behalf or not and all rights therein are recognized to vest in us as our sole and exclusive property.

2. This agreement shall endure for a period of two (2) years commencing from March 1, 2000 and terminating on February 28, 2002 ("the Term"), provided however that in the event of this arrangement being signed before March 1, the period between such date and March 1 shall be added to and form part of the first year of the Term.

3. A. In consideration of all rights, licenses and privileges herein granted by you to us and the services to be rendered and performed by you, all as described in 1 above, as well as all rights to use all television and radio commercials produced during the Term, we will make payment to you of an endorsement fee of \$_____ per year for each year of the Term. Such fee shall become due and be paid to you as follows:

a) For the first year of the term:

- i) \$_____ on March 1, 2000;
- ii) \$_____ on September 1, 2000;
- iii) \$_____ on November 12, 2000; and,
- iv) \$_____ on February 28, 2001.

b) For the second year of the term of this arrangement:

- i) \$_____ on June 1, 2001;
- ii) \$_____ on October 1, 2001;
- iii) \$_____ on November 12, 2001; and,
- iv) \$_____ on or before February 28, 2002.

B. In addition to and as an integral part of the compensation payable by us to you in terms of 3A above, we agree and undertake to make additional payments to you based upon and with reference to the net sales by us of the Products during calendar year 2000 and calendar year 2001, respectively, as follows: In the event that our net sales of the Products exceed \$_____ in calendar year 2000 (the "Base Level"), we will make payment to you of an override on the excess net sales over and above the Base Level equal to ___% of the excess up to net sales of \$_____ and equal to ___% of the excess net sales above that level. Such override shall be determined and be paid to you within 90 days from the end of calendar year 2000 but our obligation to make such payment shall be subject to and conditional upon this arrangement being of full force and effect on the due date of such payment. In the event that our net sales of the Products in calendar year 2001 exceed the net sales of such products in calendar year 2000 or \$_____, whichever is the greater ("the 2nd Base Level"), we will make payment to you of an override on the excess net sales over and above the 2nd Base Level equal to ___% of the excess up to net sales ___% above the 2nd Base Level and equal to ___% of the excess net sales above that level. Such override shall be determined and be paid to you within 90 days from the end of calendar year 2001 but our obligation to make such payment shall be subject to and conditional upon this arrangement being of full force and effect on the due date of such payment.

4. In addition to and not by way of limitation of the foregoing, should the net sales by us of the Products in calendar year 2000 be less than \$_____, we shall have the right, to be exercised on or before the expiration of the first year of the Term, to terminate this arrangement as at and with effect from the end of the first year and in such event this arrangement shall not continue for the second year of the Term.

5. A. If you fail, refuse, neglect and/or are unable to render or perform any services as contemplated hereunder for any reason whatsoever including, but not limited to, death, mental or physical disability or illness, injury or substantial change of appearance (which shall include, without limitation, any substantial facial or bodily disfigurement or change which in our sole judgment interferes with your ability to perform properly the services required hereunder), we shall have the right to terminate this arrangement at any time provided that we shall have given you 14 days written notice of such default and you have not cured such default, during such 14-day period.

B. If you commit any act or become involved in any situation or occurrence which brings you into public disrepute, scandal or ridicule or shocks or offends the community or any group or class thereof or derogates from the public image or reflects unfavorably upon us or the reputation of any of the Products and/or the Hansen's brand and its image in the market or services, we shall have the right to terminate this arrangement at any time following the time that we become aware of such act or involvement, provided that we shall have given you 14 days written notice of such default and you have not cured such default, during such 14-day period.

C. If, at any time during the Term, you are not actively endorsing and promoting the Hansen's brand or the Products in the manner contemplated in 1 above, to a reasonable extent and with reasonable frequency or are in breach of any provisions of this arrangement, we shall be entitled to give you 14-days written notice to remedy such failure or breach. Should you fail to remedy such failure or breach within such period, we shall have the right to terminate this arrangement with immediate effect upon written notice to you.

6. Upon termination of this arrangement, pursuant to 5 above, all rights, duties and obligations of the parties shall cease and you shall be entitled to receive and/or retain, as the case may be, payment only of that portion of the fee/compensation payable to you in terms of 3A above as bears the same proportion as the period that shall have elapsed between the commencement of the Term and the termination thereof bears to the full Term; provided however that in the event the termination is due to your failure to provide the minimum Qualifying Product Exposures in accordance with 1B above on nationally televised interviews, the portion of the fee/compensation which you shall be entitled to receive and/or retain, as the case may be, shall be determined with reference to the same proportion that the number of Qualifying Product Exposures provided by you prior to the termination hereof bears to the minimum Qualifying Product Exposures that you are required to provide during the Term, in accordance with 1B above.

7. You will have the right, through your authorized representative, to examine at any reasonable time, and from time to time, our books of account and records that relate to the sales of our Functional drinks.

8. We undertake to provide you with free Products for your personal use which shall be delivered to you on a regular monthly basis at Wrigley Field in Chicago. Whenever possible, you shall attempt to drink Hansen's Energy drinks and convey your use thereof to the public and facilitate the endorsement thereof by you through the use thereof. We will attempt, whenever reasonably possible and provided we have been provided with reasonable advance notice, to provide you with Products at other venues around the country.

9. Whenever you are granted the right of approval herein such approval shall be deemed to have been given if you have not disapproved thereof in writing within 10 days of receiving our request therefor.

10. Nothing herein contained shall be deemed to constitute a partnership between or a joint venture by or an agency relationship between you and us. Neither of us shall hold itself or himself out contrary to the terms of this arrangement by any means whatsoever. Neither party shall be bound by or become liable for, any representation, commitment, act or omission whatsoever of the other contrary to the provisions hereof.

11. Any disagreement, dispute or claim arising out of this agreement or the breach or termination hereof shall be settled by arbitration in accordance with the rules of the American Arbitration Association and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction. The parties agree that in rendering an award, the arbitrator shall have no jurisdiction to consider evidence with respect to or render any award or judgment for punitive or exemplary damages or any other amount awarded for the purposes of imposing a penalty. The parties specifically waive any claims for punitive or exemplary damages or any other amount awarded for the purposes of imposing a penalty that arises out of or is related to this agreement, or the conduct of the parties in connection with this agreement or the termination thereof. The arbitrator shall have the power to award reasonable attorneys fees.

12. This arrangement shall be governed by and interpreted in accordance with the laws of the State of California (without reference to its law of conflict of laws).

13. This arrangement constitutes the entire arrangement between us and may not be changed or modified, nor may any provision hereof be waived except by an agreement in writing signed by the party against whom the enforcement of the change or modification is asserted. No waiver by either of us of the breach of any of the provisions of this arrangement shall be deemed to be a waiver of any preceding or succeeding breach of the same or of a similar nature.

14. This letter shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors or assigns, provided, however, that this arrangement and all rights and obligations hereunder may not be assigned or transferred by you without our prior written consent.

15. Service of all notices under this arrangement shall be sufficient if mailed to either of us at our respective addresses specified on the first page of this letter or to such different address as may hereafter be specified by either of us in writing to the other. Any notice shall be deemed to be given on the third day after the date it is mailed or on the day it is sent, if it is sent by fax.

If the foregoing correctly reflects our understanding and is acceptable to you, please would you so indicate by affixing your signature in the space indicated below and returning a signed copy of this letter to us.

Kind regards,

HANSEN BEVERAGE COMPANY

/s/ RODNEY C. SACKS

Rodney C. Sacks
Chairman of the Board

RCS:bv

I, the undersigned, SAMMY SOSA, by my signature below, do hereby agree to and to be bound by the arrangements recorded in the above letter

AGREED.

Date: 2/22/2000

/s/ SAMMY SOSA
SAMMY SOSA

STANDARD INDUSTRIAL LEASE

Dated (for reference) as of February 23, 2000

1. Defined Terms. Each reference in this Lease to any of the following terms shall include the data for such term as stated below with any additional terms used in this Lease to have the meaning and definition given hereinafter:

Tenant: Hansen Beverage Company, A Delaware Corporation
Landlord: 43 Railroad Partnership L.P. California limited partnership

Tenant's Address: 1010 Railroad Street, Corona, California 92882
Landlord's Address: -c/o Investment Building Group, 4100 Newport Place, Suite 750, Newport Beach, CA 92660

Description of the Premises:

Floor Area: Approximately 113,600 square feet indicated on Exhibit "A". (Including +/- 5, 000 s.f. of 2nd floor office)

Street Address 1010 Railroad Street, Corona, California

Term: ten (10) years
Commencement Date: August 1, 2000
Rent: forty-four thousand dollars (\$44,000) per month (see Paragraph 39, 40)
Taxes, Insurance and Maintenance Reserve Deposit: \$4,600 per month
Security Deposit: \$40,000
Insurance Amounts:

Table with 2 columns: Insurance Type and Amount. Rows include Bodily Injury per Person, Bodily Injury per Occurrence, and Property Damage.

Tenant Improvement Plans (approved by Tenant and Landlord): ..See Exhibit "B"
Tenant's Construction Representative:

Uses: Warehousing, packaging and distribution of consumer products/corporate offices.

Tenant's Share (if multi-tenant) of: Real Property Taxes 81% Insurance Expenses 81% Maintenance Expenses 81% for building #10 only.

2. Preamble. Landlord hereby leases to Tenant, and Tenant hereby leases and accepts from Landlord, that certain real property and building floor area more particularly described in Paragraph I (the "Premises") for the Term and upon the covenants and conditions hereinafter specified.

3. Construction and Commencement. 3.1 Construction. Landlord shall cause to be constructed the building and improvements substantially in accordance with the Tenant Improvement Plans. The Premises shall be ready for occupancy on the date upon which the work of construction to be undertaken by Landlord has been substantially completed ("Ready for Occupancy") as determined by the issuance of a written certificate by Landlord to Tenant certifying (a) that the improvements have been substantially completed in accordance with the Tenant Improvement Plans, and (b) the date of such completion. Landlord shall complete, as soon as reasonably possible, any items of work or adjustment not completed when the Premises are Ready for Occupancy and such defective or omitted work undertaken by Landlord of which Tenant has given Landlord written notice within thirty (30) days after the date the Premises are Ready for Occupancy. The Premises shall be Ready for Occupancy not later than the Commencement Date; provided, however, that the Commencement Date may be extended for a period of time equal to the period of any delay encountered by Landlord affecting said work of construction because of fire, inclement weather, acts of God, riot, governmental regulations, strikes, shortages of material or labor, changes in the Tenant Improvement Plans, or any other cause beyond the reasonable control of Landlord.

3.2 Commencement. The Term of this Lease shall commence upon the earlier of: (a) the Commencement Date, or if the Premises are not Ready for Occupancy by the Commencement Date, the date upon which the Premises are Ready for Occupancy, (b) the date upon which Tenant first occupies any portion of the Premises, or (c) the date upon which Rent would have otherwise commenced to accrue under this Lease had Tenant not delayed in the performance of any of its duties or obligations hereunder or had not otherwise interfered with or caused a delay in the performance of Landlord's obligations hereunder. If the work of construction is not completed within one hundred twenty (120) days after the Commencement Date as extended pursuant to Paragraph 3.1, the sole remedy of either party shall be the option to terminate this Lease by the delivery to the other party of written notice of such termination within ten (10) days thereafter.

4. Rent; Net Lease. Tenant agrees to pay Landlord at Landlord's address or at such other place designated by Landlord by written notice to Tenant the Rent, in lawful money of the United States, in advance, without demand, off-set or deduction, on the first day of each calendar month of the Term hereof and in the event the Term commences or the date of expiration of this Lease occurs other than on the first day or the last day of a calendar month, the Rent for such month shall be prorated. This Lease is what is commonly called a "net lease," it being understood that Landlord shall receive the Rent free and clear of any and all impositions, taxes, liens, charges or expenses of any nature or kind whatsoever in connection with the ownership and operation of the Premises, including reimbursement of an asset management fee equal to two percent (2%) of the Rent. If Rent is not received as provided above, a late charge shall be payable by Tenant as provided in Paragraph 13.4. In the event that a late charge is payable, whether or not collected, two times in any twelve month period, then Rent shall automatically become due and payable quarterly in advance, rather

than monthly.

5. Deposits.

5.1 Taxes, Insurance and Maintenance Reserve. Tenant shall deposit with Landlord each month the amount set forth in Paragraph 1 as a reserve to be used to pay real property taxes, maintenance expenses and insurance expenses on the Premises which are payable by Tenant under the terms of this Lease. If the amounts deposited with Landlord by Tenant under the provisions of this Paragraph are insufficient to discharge the obligations of Tenant, Tenant shall send to Landlord, upon Landlord's demand, the additional sums necessary to fully satisfy such obligations. All monies deposited with Landlord under this Paragraph may be intermingled with other moneys of Landlord and shall not bear interest.

5.2 Security Deposit. Tenant has deposited with Landlord the Security Deposit set forth in Paragraph 1 above as security for Tenant's faithful performance of Tenant's obligations hereunder. If Tenant fails to pay Rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Landlord may use, apply or retain all or any portion of said deposit for the payment of any Rent or other charge in default or for the payment of any other sum to which Landlord may become obligated by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer thereby. If Landlord so uses or applies all or any portion of said deposit, Tenant shall within ten (10) days after written demand therefor deposit cash with Landlord in an amount sufficient to restore said deposit to the full amount stated in Paragraph 1 and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep said deposit separate from its general accounts. If Tenant performs all of Tenant's obligations hereunder, said deposit, or so much thereof as has not theretofore been applied by Landlord, shall be returned, without payment of interest or other increment for its use, to Tenant (or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder) at the expiration of the Term hereof, and after Tenant has vacated the Premises. No trust relationship is created herein between Landlord and Tenant with respect to said Security Deposit.

6. Use.

6.1 Use. The Premises shall be used and occupied only for the uses stated in Paragraph 1.

6.2 Compliance with Law; Prior Restriction. Tenant shall, at Tenant's sole expense, comply promptly and continuously with all applicable statutes, ordinances, rules, regulations, orders, restrictions of record, and requirements in effect during the Term or any part of the Term hereof regulating the use of the Premises. Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance. Permanent outside storage shall not be allowed without prior written approval from Landlord.

6.3 Conditions of Premises. Tenant hereby accepts the Premises in their condition existing as of the date of the execution hereof, except for those specific improvements which Landlord has undertaken to provide in Paragraph 3 and subject to all applicable zoning, municipal, county and state laws, ordinance and regulations and any covenants or restrictions of record governing and regulating the use of the Premises, and accepts this Lease subject thereto and to matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation warranty as to the suitability of the Premises for the conduct of Tenants business, and that Tenant has made such legal and factual inquiries with respect thereto it deems appropriate and has relied solely thereon.

6.4 Hazardous Materials. Tenant shall not cause any hazardous wastes, chemicals or materials (collectively "Hazardous Materials") to be used, generated, stored or disposed of on or about the Premises except with Landlord's written permission and in strict compliance with all applicable regulations and using all necessary and appropriate precautions. Landlord's permission may be withheld for any reason and may be revoked at any time. Tenant shall be liable to Landlord for any and all damages caused by Tenants failure to keep, store, use, maintain or handle Hazardous Materials on the Premises. Landlord shall not be liable to Tenant for any claims, damages or losses due to the effects of Hazardous Materials on the Premises that is caused by owners, tenants, licensees, and invitees of other properties or is not directly caused by Landlord. Landlord shall not be liable to Tenant regardless of whether or not Landlord has approved Tenants activities. Tenant shall indemnify, defend by counsel acceptable to Landlord and hold Landlord harmless from and against any claims, damages or liabilities arising out of a breach of any provision of this Paragraph 6.4.

7. Maintenance, Repairs And Alterations

7.1 Tenant's Obligations. Subject to Paragraph 7.4 below, Tenant shall keep in good order, condition and repair, the Premises and every part thereof, structural and non-structural, and all adjacent sidewalks, landscaping, driveways, parking lots, and fences located in the areas which are adjacent to and included with the Premises. At the cost and expense of Tenant, the landscaping shall be maintained by a professional gardener and the exterior of the building shall be repainted at least once every four (4) years.

7.2 Surrender. On the last day of the Term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in the same condition as when received, ordinary wear and tear excepted, clean and free of debris. Tenant shall repair any damage to the Premises occasioned by the removal of Tenant's trade fixtures, furnishings and equipment. Tenant shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing on the Premises in good operating condition.

7.3 Landlord Rights. If Tenant fails to perform Tenant's obligations under this Paragraph 7, or under any other paragraph of this Lease, Landlord may, at its option (but shall not be required to), enter upon the Premises, after ten (10) days' prior written notice to Tenant (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Tenant's behalf and put the same in good order, condition and repair, and the cost thereof shall become due and payable as additional rent to Landlord together with Tenant's next rent installment.

7.4 Landlord's Obligations. Except for the repair of any latent construction defects in the structural bearing elements of the building and the obligations of Landlord under Paragraph 9 and 14, it is intended by the parties hereto that Landlord shall have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the equipment therein, whether structural or non-structural, all of which obligations are intended to be that of the Tenant. Tenant hereby waives the provisions of California Civil Code Section 1941 and 1942 or any related or successor provision of law which would otherwise afford Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

7.5 Alterations and Additions.

(a) Tenant shall not without Landlord's prior written consent, make any alterations, improvements, additions or Utility Installations which for non-structural alterations and utility installations shall not be unreasonably withheld in, on or about the Premises, except for non-structural alterations not exceeding ten thousand dollars (\$10,000) during the Term of this Lease. As used in this paragraph 7.5, the term "Utility Installations" shall include carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air-conditioning, plumbing, and fencing. Landlord may require that Tenant remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the Term, and restore the Premises to their prior condition. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Landlord against any liability for mechanic's and materialmen's liens and to insure completion of work. Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may require that Tenant remove any or all of the same

(b) Any alterations, improvements, additions or Utility Installations in, or about the Premises that Tenant shall desire to make and which require the consent of the Landlord shall be presented to Landlord in written form, with proposed detailed plans. If Landlord shall give its consent, the consent shall be deemed conditioned upon Tenant acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Landlord prior to the commencement of the work, and the compliance by Tenant with all conditions of said permit in a prompt and expeditious manner.

(c) Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days' notice prior to the commencement of any work in or on the Premises, and Landlord shall have the right to post notices of non-responsibility in or on the Premises as provided by law.

(d) Unless Landlord requires their removal, as set forth in Paragraph 7.5(a), all alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Tenant), which may be made on the Premises, shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Term. Notwithstanding the provisions of this Paragraph 7.5(d), Tenant's machinery and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, shall remain the property of Tenant and may be removed by Tenant subject to the provisions of Paragraph 7.2.

7.6 Common Area Maintenance. In the event that the Premises are a portion of a larger building or complex, Landlord, at Landlord's option, may arrange for any portion of the exterior or common area maintenance and repair. Tenant shall pay to Landlord upon demand a reasonable proportion to be determined by Landlord of all costs including a ten percent (10%) administration fee on landscaping, irrigation and exterior lighting charges in the event Landlord administers the same.

8. Insurance, Indemnity.

8.1 Coverage. The following insurance and any additional insurance coverage that maybe required bylaw, holders of mortgages or deeds of trust shall be carried protecting Landlord and the holders of any mortgages or deeds of trust covering the Premises. Any insurance policies provided by Tenant shall provide that such policies are primary and non-contributing with any insurance carried by the Landlord.

(a) Insurance covering loss or damage to the Premises in the amount of the full replacement value thereof, as the same may exist from time to time, but in no event less than the total amount required by lenders having liens on the Premises, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, and special extended perils ("all risk" as such term is used in the insurance industry). Said insurance shall provide for payment of loss thereunder to Landlord or to the holders of mortgages or deeds of trust on the Premises. A stipulated value or agreed amount endorsement deleting the co-insurance provision of the policy shall be procured with said insurance. If such insurance coverage has a deductible clause, the deductible amount: shall not exceed \$5,000 per occurrence, and Tenant shall be liable for such deductible amount.

(b) Comprehensive general liability (Landlord's risk only including without limitation bodily injury, personal injury and property damage insurance) in the amount of six million dollars or such higher limits as Landlord may reasonably require.

(c) Insurance against abatement or loss of rent in case of fire or other casualty in an amount equal to the Rent, Real Property Taxes, and insurance premium payments to be made by Tenant during one (1) year; and

(d) Comprehensive public liability insurance (including without limitation bodily injury, personal injury and property damage insurance), with limits at least as high as the amounts respectively stated in Paragraph 1, or such higher limits as Landlord may reasonably require.

8.2 Payment of Premiums. Tenant shall obtain the insurance policy called for in Paragraph 8.1(d). Landlord shall obtain the insurance policies called for

in Paragraphs 8.1(a), (b), and (c) and Tenant shall pay the cost thereof to the extent not prepaid through reserves paid pursuant to Paragraph 5.1 upon demand as additional rent. However, if the Premises are a one-tenant building and Tenant can provide suitable insurance at lesser cost within thirty (30) days - -after notice of the company and rate obtained by Landlord; Tenant may do so and shall not be liable to Landlord for any cost of temporary insurance in excess of the rate for substitute insurance. If tenant fails to maintain insurance which Tenant has undertaken to provide, Tenant shall pay for any loss or cost resulting from said failure.

8.3 Insurance Policies. Insurance required hereunder shall be with companies holding a Bests Insurance Guide "General Policyholders Rating" of at least a "Financial Size Category" rating of at least Class VIII. Insurance policies shall not be cancelable or subject to reduction in coverage or other modification except after thirty (30) days' prior written notice to Landlord. The insuring party shall deposit with such mortgage holders as Landlord may require, p duplicates or certificates as such holders may require, and shall in all cases furnish the other party with policies, duplicates and certificates. Tenant shall not or permit to be violated any of the conditions or provisions of any policy provided for in Paragraph 8.1, and Tenant shall so perform and satisfy the requirement the companies writing such policies so that at all times companies of good standing reasonably satisfactory to Landlord shall be willing to write and/or continue insurance.

8.4 Waiver of Subrogation. Tenant and Landlord each hereby release the other, and waive their entire right of recovery against the other for I damage arising out of or incident to the perils insured against hereunder, whether due to the negligence of Tenant or Landlord or their agents, employees, contractors and/or invitees. Tenant and Landlord shall, upon obtaining the polices of insurance required hereunder, give notice to the Insurance carriers the foregoing mutual waiver of subrogation is contained in this Lease.

8.5 Indemnity. Tenant shall indemnify and hold harmless Landlord from and against any and all claims arising from Tenant's use of the Premises, or from the conduct of Tenant's business or from any activity, work or things done, permitted or suffered by Tenant in or about the Premises or elsewhere and shall further indemnify and hold harmless Landlord from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Landlord by reason of any such claim, Tenant upon notice from Landlord shall defend the same at Tenants expense by counsel satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord.

8.6 Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant, Tenants employees, invitees, customers, or any other person in or about the Premises; nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said damage or injury results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing same is inaccessible to Tenant. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located.

9. Damage or Destruction. See Paragraph 47.

9.1 Partial Damage - Insured. Subject to the provisions of Paragraphs 9.3 and 9.4, if the Premises are damaged and such damage was Caused by a casualty covered under an insurance policy, Landlord shall repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If the insurance proceeds received by Landlord are not sufficient to effect such repair and such insufficiency is not due to an insufficient policy coverage amount, Tenant shall pay to Landlord upon demand any costs incurred by Landlord not fully covered by insurance proceeds. If Tenant repairs the damage, Landlord shall reimburse Tenant for the costs of repair to the extent of insurance proceeds received by Landlord.

9.2 Partial Damage - Uninsured. Subject to the provisions of Paragraphs 9.3 and 9.4, if the Premises are damaged where the cost to repair such damage exceeds \$25,000 except by a negligent or willful act of Tenant (in which event Tenant shall make the repairs at its expense), and such damage was caused by a casualty not covered under an insurance policy required to be maintained pursuant to Paragraph 8.1, Landlord may at Landlord's option either (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to cancel and terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to give such notice of Landlord's intention to cancel and terminate this Lease, Tenant shall have the right within ten (10) days after the receipt of such notice to give written notice to Landlord of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event this Lease shall continue in full force and effect, and Tenant shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within such ten (10) day period, this Lease shall be canceled and terminated as of the date of the occurrence of such damage.

9.3 Total Destruction. If at any time during the Term of this Lease there is damage, whether or not an insured loss, (including destruction required by any authorized public authority) to the building of which the Premises are a

part to the extent that the cost of repair exceeds fifty percent (50%) of the then replacement cost of such building as a whole, then this Lease shall automatically terminate as of the date of such destruction.

9.4 Damage Near End of Term. If the Premises are significantly damaged during the last year of the Term of this Lease, Landlord may at Landlord's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage.

9.5 Abatement of Rent. In the event of damage described in Paragraphs 9.1 or 9.2, and Landlord or Tenant repairs or restores the Premises, Rent for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant's use of the Premises is impaired, but only to the extent of any proceeds received by Landlord from rental abatement insurance described in Paragraph 8.1. Except for the abatement of Rent, if any, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration.

9.6 Waiver. Tenant and Landlord hereby waive the provisions of California Civil Code Paragraphs 1932 (2) and 1933 (4) or any related or successor provision of law which relate to termination of leases when the thing leased is destroyed and agree that such event shall be governed by the terms of this Lease.

10. Real Property Taxes.

10.1 Payment of Taxes. Tenant shall pay the Real Property Tax, as defined in Paragraph 10.2, applicable to the Premises during the Term. 11' deposits collected for real property taxes as provided in Paragraph 5.1 are not sufficient to discharge the Tenant's obligations, payment of the balance shall be made at least ten (10) days prior to the delinquency date of such payment by depositing the payment with Landlord. If any such taxes paid by Tenant shall cover any period of time after the expiration of the Term hereof, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal Year during which this Lease shall be in effect, and Landlord shall reimburse Tenant to the extent required within thirty (30) days following expiration of the Term. If Tenant shall fail to pay any such taxes, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord with Tenant's next rent installment together with interest at the rate of twelve percent (12%) per annum.

10.2 Definition of "Real Property Tax". As used herein, the term Real Property Tax shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord in the Premises or in the real property of which the Premises are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Premises. Real Property Tax shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy assessment or charge hereinabove included within the definition of Real Property Tax or (ii) the nature of which was hereinbefore included within the definition of Real Property Tax.

10.3 Joint Assessment. If the Premises are not separately assessed, Tenant's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Landlord from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

11. Utilities. Tenant shall pay for water, gas, electricity, and any other utilities and services supplied to the Premises together with taxes thereon. Tenant shall be responsible for any installation or hook-up charge. Landlord shall not be liable to Tenant for interruption in or curtailment of any utility service, nor shall any such interruption in or curtailment constitute a constructive eviction or grounds for rental abatement. If any such services are not separately metered to Tenant, Tenant shall pay a reasonable proportion to be determined by Landlord of all charges jointly metered with other premises.

12. Assignment and Subletting.

12.1 Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises without Landlord's prior written consent. Landlord shall not unreasonably withhold its consent to an assignment or sublet, provided the proposed assignee or sublessee is reasonably satisfactory to Landlord as to credit and will occupy and use the Premises for the same purposes specified in Paragraph 1. Any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall constitute a breach of this Lease and be voidable at Landlord's election. Tenant shall pay to Landlord five hundred dollars (\$500) as compensation for expenses in connection with any request for Landlord's consent by Tenant.

12.2 No Release of Tenant. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any liability of Tenant to pay the Rent and to perform all other obligations to pay the rent or subletting shall not be deemed consent to any subsequent assignment or subletting.

12.3 Recapture of Premises. In connection with any proposed assignment or sublease of the entire premises, Tenant shall submit to Landlord in writing (a) the name of the proposed assignee or sublessee, (b) such information as to its financial responsibility as shall have an option to cancel and terminate this Lease with respect to the Premises which is to be assigned or sublet. Landlord may exercise said option in writing within thirty (30) days after its receipt

from Tenant of such request to assign or sublease the Premises. If Landlord shall exercise its option, Tenant shall surrender possession of the entire Premises,

12.4 Excess Sublease Rental. If, on account of or in connection with any assignment or sublease if more than 50% of the Premises, tenant receives rent or other consideration in excess of the Rent called for hereunder, or in the case of the sublease of a portion of the Premises, in excess of the pro rata Rent based on the floor area of such portion, after appropriate adjustments to assure all other payments called for hereunder are appropriately taken into account, Tenant shall pay to Landlord Fifty Percent (50%) of the excess of such payment of rent or other consideration received by Tenant promptly after its receipt.

13. Defaults; Remedies.

13.1 Defaults. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

(a) The vacating or abandonment of the Premises by Tenant for at least thirty (30) days.

(b) The failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of three (3) days after written notice thereof from Landlord to Tenant.

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in Paragraph 13.1(b), where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(d)(i) The making by Tenant of any general arrangement or assignment for the benefit of creditors; (ii) the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

(e) The discovery by Landlord that any financial statement given to Landlord by Tenant, any assignee of Tenant, any subtenant of Tenant, any successor in interest or any guarantor of Tenant's obligations hereunder was materially false.

13.2 Remedies. In the event of any material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate Tenant's right to possession of the Premises, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting including necessary renovation of the Premises, reasonable attorneys' fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid Rent for the balance of the Term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided; and that portion of the leasing commission paid by Landlord applicable to the unexpired Term of this Lease. Unpaid installments of Rent or other sums shall bear interest at the rate of twelve percent (12%) per annum.

(b) Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the Rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of California.

13.3 Default by Landlord. Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within thirty (30) days after written notice by Tenant to Landlord and to the holder of any mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligations; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

13.4 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "Condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the building on the Premises or more than twenty-five percent (25%) of the land area of the Premises which is not occupied by any building is taken by Condemnation; then Tenant may, at Tenant's option to be exercised in writing only within ten (10) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession), terminate this Lease as of the date the condemning authority takes such possession. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Rent shall be reduced in the proportion that the floor area taken bears to the total floor area of the building situated on the Premises. No reduction in Rent shall occur if the only area taken is that which does not have a building located thereon. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Tenant shall be entitled to any award for loss or damage to Tenant's trade fixtures and removable personal property. In the event that this Lease is not terminated by reason of such Condemnation, Landlord shall, to the extent of severance damages received by Landlord in connection with such Condemnation, repair any damage to the Premises caused by such Condemnation except to the extent that Tenant has been reimbursed therefor by the condemning authority.

15. Examination of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option to lease. This instrument is not effective as a lease or otherwise until execution and delivery by Landlord and Tenant.

16. Estoppel Certificate.

(a) Tenant shall, upon ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the Rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) At Landlord's option, Tenant's failure to deliver such statement within ten (10) days of receipt of written notice shall be a material breach of this Lease or shall be conclusive upon Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance, and (iii) that not more than one month's Rent has been paid in advance.

(c) If Landlord desires to finance, refinance or sell the Premises, or any part thereof, Tenant hereby agrees upon ten (10) days prior written notice to deliver to Landlord such financial statements of Tenant as may be reasonably required by a lender or purchaser. Such statement shall include the most recent three years' financial statements of Tenant. All such financial statements shall be received by Landlord in confidence and shall be used only for the purposes herein set forth.

17. Landlord's Liability. Whenever Landlord conveys its interest in the Premises, Landlord shall be automatically released from all liability as respects the performance of covenants on the part of Landlord herein contained provided the assignee executes an assumption agreement expressly agreeing to assume Landlord's obligations with respect to this Lease. If requested, Tenant shall execute a form of release and such other documentation as may be required to effect these provisions. Tenant agrees to look solely to Landlord's estate and interest in the Premises for the satisfaction of any liability, duty or obligation of Landlord in respect to this Lease or the relationship of Landlord and Tenant hereunder and no other assets of Landlord shall be subject to any liability therefor. Tenant agrees it will not seek and hereby waives any recourse against the individual partners, directors, officers, employees or shareholders of Landlord or their personal assets for such satisfaction.

18. Severability. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

19. Interest on Past-Due Obligations. Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest at the twelve percent (12%) per annum. Payment of such interest shall not excuse or cure any default by Tenant.

20. Time of Essence. Time is of the essence.

21. Additional Rent. Any monetary obligations of Tenant to Landlord under the terms of this Lease shall be deemed to be rent.

22. Incorporation of Prior Agreements; Amendments. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

23. Notices. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service or by certified mail, return receipt requested. Notice by certified mail shall be deemed served on the date of delivery as shown on the postal receipt. Either party may by notice to the other specify a different address for notice purposes, except that, upon

Tenant's taking possession of the Premises, the Premises shall constitute Tenants address for notice purposes. A copy of all notices to be given to Landlord hereunder shall be concurrently transmitted by Tenant to such party or parties at such addresses as Landlord may hereafter designate by notice to Tenant.

24. Waivers. No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of Rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant or of any provision hereof, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. Partial or incomplete payments accepted by Landlord shall not be a waiver or considered an accord and satisfaction of any amounts due.

25. Captions. Paragraph captions are not a part hereof.

26. Holding Over. If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term without the express written consent of Landlord, such occupancy shall be a tenancy from month to month at a rental equal to the Rent during the last month of the Term increased by twenty percent (20%) and upon all the terms hereof applicable to a month-to-month tenancy.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions. Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

29. Binding Effect; Choice of Law. Subject to the provisions of Paragraphs 12 and 17, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. This Lease shall be governed by the laws of the State of California.

30. Subordination.

(a) This Lease, at Landlord's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Landlord's election to subordinate this Lease shall not be effective unless the ground lessor, mortgagee or trustee shall execute with Tenant a nondisturbance agreement recognizing that Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the Rent and observe and perform all the provisions of this Lease. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Tenant agrees to execute any documents required to effectuate an attornment, a subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Tenant's failure to execute such documents within ten (10) days after written demand shall constitute a default by Tenant hereunder, or at Landlord's option, Landlord shall execute such documents on behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenants attorney-in-fact and in Tenants name, place and stead to execute such documents.

31. Attorney's Fees. If Landlord or Tenant brings an action to enforce its respective rights hereunder, the unsuccessful party therein agrees to pay all costs incurred by the prevailing party therein, including reasonable attorney's fees and court costs to be fixed by the court.

32. Landlord's Access. Landlord and Landlord's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part as Landlord may deem necessary or desirable. Landlord may at any time during the last one hundred twenty (120) days of the Term hereof place on or about the Premises any ordinary "For Sale" or "For Lease" signs, all without rebate of Rent or liability to Tenant.

33. Auctions. Tenant shall not conduct any auction without Landlord's prior written consent.

34. Signs. Any sign placed on the Premises shall contain only Tenant's name and slogan for the name of any affiliate of Tenant actually occupying the Premises, but no advertising matter. No such sign shall be erected until Tenant has obtained Landlord's written approval which shall not unreasonably be withheld of the location, materials, size, design, and content thereof and any necessary permit therefor. Tenant shall remove any such sign upon termination and return the Premises to their condition prior to the placement of said sign.

35. Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not work a merger and shall at the option of the Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such tenancies.

36. Easements, Boundary Changes. Landlord reserves to itself the right, from time to time, to grant such easements, rights, dedications and enact boundary and common area configuration adjustments that Landlord deems necessary or desirable and to cause the recordation of parcel maps and restrictions, so long as they do not unreasonably interfere with the use of the Premises by Tenant. Tenant shall sign any of the aforementioned documents upon request of Landlord

and failure to do so shall constitute a breach of this Lease by Tenant.

37. Quiet Possession. Upon Tenant's paying the Rent, additional rent and other sums provided hereunder and observing and performing all of the covenants, conditions and provisions on Tenants part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to the provisions of this Lease.

38. Authority. If Tenant is a corporation, trust or partnership, each individual executing this Lease on behalf of such entity represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said entity. If Tenant is a corporation, trust or partnership, Tenant shall, within thirty (30) days after execution of this Lease, deliver evidence of such authority to Landlord.

See Addendum for Paragraphs 39 through 47.

The parties hereto have executed this lease on the dates immediately above their respective signatures.

Dated: 2/25/00
Hansen Beverage Company
A Delaware corporation

Dated:
43 Railroad Partnership L.P.
a California Limited Partnership

By: /s/ Rodney Sacks
Its: /s/ Chairman

By: Investment Building Group
a California corporation
General partner

By: /s/ Jack M. Langson
Jack M. Langson,
President

"Tenant"

"Landlord"

ADDENDUM TO STANDARD INDUSTRIAL LEASE
DATED FEBRUARY 23, 2000 BY AND BETWEEN
43 RAILROAD PARTNERSHIP L.P. ("LANDLORD") AND
HANSEN BEVERAGE COMPANY ("TENANT")

39. Rent Increases. The Rent as called for in Paragraph I shall commence at forty four thousand dollars (\$44,000) per month. The Rent shall be increased periodically according to the following schedule:

Months	Monthly Rental
1 through 30	\$44,000
31 through 60	\$46,500
61 through 90	\$49,000
91 through 120	\$51,000

40. Rent Waiver. Landlord hereby grants a rent waiver to Tenant in the amount of twenty-five thousand dollars (\$25,000) to be applied toward the first month's rent due under this Lease. In the event of a default as defined in paragraph 13 of the Lease and the Lease is not reinstated within sixty (60) days of such occurrence, the rent waiver shall automatically be deemed deleted from this Lease and of no further force and effect, and any portion theretofore previously credited against the Rent shall be immediately due and payable by Tenant to Landlord and recoverable by Landlord as additional rent due under this Lease.

41. Tenant Improvement Allowance. Landlord shall provide a tenant improvement allowance (the "Improvement Allowance") in the amount of three hundred fifty thousand dollars (\$350,000) for the design and construction, etc., of additional offices and other improvements as outlined in Exhibit "B" or any other improvement approved by Landlord ("Improvements") as well as for payment of any upgrade costs over Landlord's existing specifications and allowances that may be incurred toward initial 2,300 sq. ft. of preplanned office space. In the event that the Improvements cost more than the Improvement Allowance, Tenant shall have the right to reduce the Improvements to limit the cost to the Improvement Allowance; or, alternatively, Tenant shall pay to Landlord on demand the cost of the Improvements above the Improvement Allowance. If Tenant does not pay to Landlord the extra costs above the Improvement Allowance or notify Landlord of the items to be eliminated within ten (10) days of written notice from Landlord, Landlord may in its sole discretion eliminate items to bring the budget within the Improvement Allowance and proceed with the construction of the Improvements as revised. In no event shall commencement of Rent be delayed due to any delay in completion of the tenant improvement items. Up to ten percent (10%) of any Improvement Allowance unspent after the first year of the Term may be applied toward the Rent.

Tenant shall provide Landlord with the mutually acceptable office tenant improvement plan on or before March 30, 2000.

42. Initial Premises Specification: The Premises include approximately 2,300 sq. ft. of HVAC office space with "bonus" structural mezzanine above. At Landlord's expense the Premises shall be modified from the existing construction plans to include a total of seventeen (17) dock high loading doors.

43. Additional Improvements to be Installed by Landlord. Landlord shall, be responsible for the erection of a partial separation wall on the east side of the Premises with pass through openings per mutual tenant's direction. A directional sign of reasonable size and design and including the Tenant's name in space not to exceed 3 ft tall and 6 ft wide will be placed at the Railroad Street entry to the park in the location approximately shown on Exhibit A.

44. Fencing of Vehicles on Site. Subject to Landlord's reasonable approval on scope and configuration and Tenant compliance with other governmental codes, Tenant shall be permitted to erect fences around the paved areas onsite adjacent to the Premises for the purposes of overnight vehicular security. Any fencing

allowed that encloses a paved area shared with an adjoining property shall not encumber the rights of use of the occupants of that adjoining property. Landlord may require Tenant to share security gate access with a neighboring tenant.

45. Right of First Offering on Expansion Building. Provided Tenant (i) is not in default under the Lease, (ii) has a shareholder's equity balance of least seven million dollars in the most current release of its financial statements, and (iii) has not assigned nor sublet any portion of the Premises, Landlord shall give notice in writing to Tenant when, after August 1, 2001, Landlord desires to lease the neighboring building addressed as 1020 Railroad Street ("Expansion Building") to other than an existing tenant of that building. Such notice shall specify the floor area and configuration of the Expansion Building, the consideration to be received therefore, and the other terms upon which Landlord offers to make such lease to Tenant. Tenant shall have the right to enter into a lease with Landlord at the rent and terms specified in such notice provided that Tenant shall deliver to Landlord written acceptance of the offer within seven (7) days after receiving notice from Landlord. If the Tenant does not accept the offer to lease within the seven (7) day period, then within the following six (6) months, Landlord shall have the right to enter into a lease on any portion of the Expansion Building with another party provided that such terms and rental are not more favorable than those offered to Tenant. This right shall automatically terminate upon the earlier of a) July 31, 2009 b) termination of this Lease, or c) the sale of the Expansion Building to a third party that requires for itself, or its affiliate, the occupancy of the Expansion Building. This Paragraph shall be deleted from this Lease upon Landlord recording on title of the Expansion Building a conforming memorandum of said right of first offering including all of the terms outlined above.

46. Right to Expand Premises. With regard to the remaining 26,600 sq. ft. unit at the east end of the building ("Expansion Space"), provided that Tenant (i) is not in default under the Lease, (ii) has a shareholder's equity balance of least seven million dollars in the most current release of its financial statements, and (iii) has not assigned nor sublet any portion of the Premises, and (iv) US Continental, or any successor or assignee thereof, is then the tenant in the Expansion Space, Tenant shall have the right at anytime during the Term to expand the Premises to include the Expansion Space by 1) providing Landlord with authorized written notice of such exercise of this Tenant's right at least one year prior to the specified expansion date, and 2) executing an amendment to the Lease effecting such expansion within fifteen days of its delivery by Landlord. Upon such execution, Landlord shall exercise its relocation and termination rights on any existing lease covering the Expansion Space to deliver the Expansion Space to Tenant on the specified expansion date. If the Expansion Space is not covered by a lease, this right shall remain valid (except that the expansion date must be no more than two months after Tenant's notice of exercise) until Landlord has relet the Expansion Space to another tenant, upon which this right shall become null and void in its entirety. It is hereby agreed that after the expansion date the Rent, Security Deposit, and reserve deposits specified in Paragraph 1 herein shall be increased from the schedule shown in Paragraph 39 above by 23.4%.

47. Paragraph 9.1 Continued. Insurance claim shortfalls greater than \$25,000 per occurrence for capital repairs / replacements may, at Tenant's election, be amortized over the life of the capital asset as determined by Generally Accepted Accounting Practices 10% annual interest and paid as additional rent over the remainder of the Term.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON PAGES F-3 AND F-4 OF THE COMPANY'S FORM 10-K FOR THE YEAR, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	YEAR	
	DEC-31-1999	
	JAN-01-1999	
	DEC-31-1999	
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		2,066,909
		9,894,414
	16,951,880	
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7,955,089		
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0		
		0
		50,050
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28,708,952		
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	72,421,599	
		38,776,532
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		170,506
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		0
		0
		4,477,868
		.45
		.43