SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

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

For the transition period from _____ to _____

Commission File Number 0-18761

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $22,963,281 computed by reference to the sale price for such stock on the NASDAQ Small-Cap Market on March 3, 2003.

The number of shares of the Registrant's common stock, $0.005 par value per share (being the only class of common stock of the Registrant), outstanding on March 3, 2003 was 10,223,203 shares.

HANSEN NATURAL CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

Overview

Hansen Natural Corporation was incorporated in Delaware on April 25, 1990. Its principal place of business is at 1010 Railroad Street, Corona, California 92882 and its telephone number is (909) 739-6200. When this report uses the words "Hansen", "HBC", "the Company", "we", "us", and "our", these words refer to Hansen Natural Corporation and our subsidiaries other than Hard e Beverage Company ("HEB"), unless the context otherwise requires.

We are a holding company and carry on no operating business except through our direct wholly owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and HEB which was incorporated in Delaware on April 30, 1990. HBC generates substantially all of our operating revenues.

Corporate History

In the 1930's, Hubert Hansen and his three sons started a business to sell fresh non-pasteurized juices in Los Angeles, California. This business eventually became Hansen's Juices, Inc., which subsequently became known as The Fresh Juice Company of California, Inc. ("FJC"). FJC retained the right to market and sell fresh non-pasteurized juices under the Hansen trademark. 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"). HFI expanded its product line from juices to include Hansen's(R) Natural Sodas. California Co-Packers Corporation (d/b/a/ Hansen Beverage Company) ("CCC") acquired certain assets of HFI, including the right to market the Hansen's(R) brand name, in January 1990. On July 27, 1992, HBC acquired the Hansen's(R) brand natural soda and apple juice business from CCC. Under our ownership, the Hansen beverage business has significantly expanded and currently includes a wide range of beverages within the growing "alternative" beverage category. As will appear more fully from the section headed "Intellectual Property" below, in September 1999 we acquired all of FJC's rights to manufacture, sell and distribute fresh non-pasteurized juice products under the Hansen's(R) trademark together with certain additional rights. In 2000, HBC, through its wholly-owned subsidiary, Blue Sky Natural Beverage Co. ("Blue Sky"), which was incorporated in Delaware on September 8, 2000, acquired the natural soda business previously conducted by Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNBC"), under the Blue Sky(R) trademark. In 2001, HBC, through its wholly-owned subsidiary Hansen Junior Juice Company, ("Junior Juice"), which was incorporated in Delaware on May 7, 2001, acquired the Junior Juice business previously conducted by Pasco Juices, Inc. ("Pasco") under the Junior Juice(R) trademark.

Industry Overview

The alternative beverage category combines non-carbonated ready-to-drink iced teas, lemonades, juice cocktails, single serve juices, ready-to-drink iced coffees, energy drinks, sports drinks, soy drinks and single-serve still water (flavored and unflavored) with "new age" beverages, including sodas that are considered natural, sparkling juices and flavored sparkling waters. The alternative beverage category is the fastest growing segment of the beverage marketplace according to Beverage Marketing Corporation. Sales in 2002 for the alternative beverage category of the market are estimated at approximately $13.2 billion at wholesale, representing a growth rate of approximately 13% over the estimated wholesale sales in 2001 of $11.7 billion. (Source: Beverage Marketing Corporation).

Products

We market, sell and distribute "alternative" beverage category natural sodas, fruit juices, energy drinks and energy sports drinks, fruit juice and soy smoothies, "functional drinks", sparkling lemonades and orangeades, non-carbonated ready-to-drink iced teas, lemonades, juice cocktails, children's multi-vitamin juice drinks and non-carbonated lightly flavored energy waters under the Hansen's(R) brand name. We also market, sell and distribute energy drinks under the Monster(TM) brand name. In addition, we market nutrition bars and cereals under the Hansen's(R) brand name. We also market, sell and distribute, natural sodas, premium natural sodas with supplements, organic natural sodas, seltzer waters and energy drinks under the Blue Sky(R) brand name. Our fruit juices for toddlers are marketed under the Junior Juice(R) brand name. Our malt-based drinks are marketed under the Hard e(TM) brand name.

Natural Sodas. Hansen's natural sodas have been a leading natural soda brand in Southern California for the past 25 years. In 2002, according to Information Resources, Inc.'s Analyzer Reports for California, our natural sodas recorded the highest sales among comparable carbonated new age category beverages measured by unit volume in the California market. Our natural sodas are currently available in thirteen regular flavors consisting of mandarin lime, key lime, grapefruit, raspberry, creamy root beer, vanilla cola, cherry vanilla creme, orange mango, kiwi strawberry, tropical passion, black cherry, ginger ale and tangerine. In early 2001, we introduced a new line of diet sodas using Splenda(R) sweetener as the primary sweetener. We initially introduced this line in four flavors: peach, black cherry, tangerine lime, and kiwi strawberry and have since added a fifth flavor, ginger ale. Our 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 diet sodas, with Splenda(R) and Acesulfame-K. We package our natural sodas in 12-ounce aluminum cans. In 2002, we introduced a line of natural mixers in 8-ounce aluminum cans comprising club soda, tonic water and ginger ale.

In January 1999, we introduced a premium line of Signature Sodas in unique proprietary 14-ounce glass bottles. This line was marketed under the Hansen's(R) brand name, primarily through our distributor network, in six flavors. In early 2003 we repositioned this line into lower cost 12-ounce glass packaging and intend to market our repositioned Signature Soda line at lower price points directly to our retail customers such as grocery chains, club stores, specialty retail chains and mass merchandisers and to the health food sector through specialty health food distributors (hereinafter together referred to as our " direct retail customers "). Signature Soda is available in 12-ounce glass bottles in five flavors: orange creme, vanilla creme, ginger beer, sarsaparilla and black cherry.

In September 2000, we acquired the Blue Sky Natural Soda business from BSNBC. Our Blue Sky product line comprises natural sodas, premium sodas, organic natural sodas, seltzer water and energy drinks. Blue Sky(R) natural sodas are available in thirteen regular flavors consisting of lemon lime, grapefruit, cola, root beer, raspberry, cherry vanilla creme, truly orange, Jamaican ginger ale, black cherry, orange creme, Dr. Becker, grape and private reserve cream soda. We also offer a Blue Sky(R) product line of premium line of natural sodas, which contain supplements such as ginseng. This line is currently available in six flavors consisting of ginseng creme, ginseng cola, ginseng root beer, ginseng very berry creme, ginseng ginger ale, and ginseng cranberry-raspberry. During 1999, Blue Sky(R) introduced a line of organic natural sodas, which are currently available in six flavors consisting of prime lime cream, new century cola, orange divine, ginger gale, black cherry cherish, and root beer. We also market a seltzer water under the Blue Sky(R) label in three flavors: natural, lime and lemon. In 2002, we introduced a lightly carbonated Blue Sky(R) energy drink in an 8.3-ounce slim can. The Blue Sky(R) products contain no preservatives, sodium or caffeine (other than in the case of the energy drink) or artificial coloring and are made with high quality natural flavors. Blue Sky(R) natural sodas and seltzer waters are currently packaged in 12-ounce aluminum cans and are marketed primarily to our direct retail customers.

In 2001, we introduced a new line of sparkling lemonades (regular and pink) and orangeades in unique proprietary 1-liter glass bottles and towards the end of 2002, we introduced diet versions of our regular sparkling lemonades and orangeades, also in 1-liter glass bottles. The sparkling lemonades and orangeades contain real juice and pulp. In 2003, we plan to extend this line into unique proprietary 12-ounce glass bottles. This product line will be marketed to our direct retail customers.

Hansen's Energy Drinks. In 1997, we introduced a lightly carbonated citrus flavored Hansen's(R) energy drink. Our energy drink competes in the "functional" beverage category, namely, beverages that provide a real or perceived benefit in addition to simply delivering refreshment. We currently offer our energy drink in three versions: original citrus, tropical and wild berry. We also offer additional functional drinks including a ginger flavored d-stress(R) drink, an orange flavored b-well(TM) drink, and a guarana berry flavored stamina(R) drink, a grape flavor power drink, and a berry-flavored slim down drink that contains no calories. Each of our energy and functional drinks contain different combinations of vitamins, minerals, nutrients, herbs and supplements ("supplements"). Our energy drinks and functional drinks are sold in 8.3-ounce cans and bottles. In 2001, we introduced Energade(R), a non-carbonated Energy sports drink in 23.5-ounce cans in two flavors, citrus and orange, and subsequently introduced a third flavor, red rocker. We also introduced E2O Energy Water(TM), a non-carbonated lightly flavored water, in 24-ounce blue polyethylene terephthalate ("P.E.T.") plastic bottles, in four flavors, tangerine, apple, berry and lemon. In 2002, we expanded our E2O Energy Water line with four additional flavors in clear P.E.T. plastic bottles, mango melon, kiwi strawberry, grapefruit and green tea. Our Energade(R) and E2O Energy Water(TM) drinks also contain different combinations and levels of supplements. At the end of 2002, we introduced a lightly carbonated diet energy drink in 8.3-ounce cans under the Hansen's(R) Diet Red brand name. Our Diet Red energy drink is sweetened with Splenda and Acesulfame-K. We market our energy, Diet Red energy, Energade and E2O Energy Water drinks in clear bottles through our full service distributor network. We market our E2O Energy Water drinks in blue bottles to our direct retail customers.

Monster Energy Drinks. In 2002, we launched a new lightly carbonated energy drink under the Monster(TM) brand name, in a 16-ounce can, which is almost double the size of our regular energy drinks in 8.3-ounce cans and the vast majority of competitive energy drinks currently on the market. Our Monster(TM) brand energy drink contains different types and levels of supplements than our Hansen's(R) energy drinks and is marketed through our full service distributor network.

Juice Products and Smoothies. Our fruit juice product line includes Hansen's(R) Natural Old Fashioned Apple Juice which is packaged in 64-ounce P.E.T. plastic bottles and 128-ounce polypropylene bottles and Apple Strawberry, Apple Grape and Apple Cranberry juice blends in 64-ounce P.E.T. plastic bottles. These Hansen's(R) juice products contain 100% juice as well as 100% (120% in the case of Apple Juice) of the recommended daily intake for adults of Vitamin C. Certain of these products also contain added calcium. We also market a Cranberry juice cocktail and an Orange-Carrot juice blend in 64-ounce P.E.T. plastic bottles. These products do not contain 100% juice. Hansen's(R) juice products compete in the shelf-stable juice category. In 2002, we extended our fruit juice and juice blend product line by introducing certain of these products in 10-ounce P.E.T. plastic bottles.

In March 1995, we introduced a line of fruit juice smoothie drinks in 11.5-ounce aluminum cans. Certain flavors were subsequently offered in glass and P.E.T. plastic bottles. Hansen's fruit juice smoothies have a smooth texture that is thick but lighter than a nectar. Hansen's smoothies in 11.5-ounce aluminum cans contain approximately 35% juice while the juice levels of Hansen's smoothies in glass and P.E.T. plastic bottles is 25%. Our fruit juice smoothies provide 100% of the recommended daily intake for adults of Vitamins A, C & E and represented Hansen's entry into what is commonly referred to as the "functional" beverage category. Hansen's(R) fruit juice smoothies are available in 15 flavors: strawberry banana, peach berry, mango pineapple, guava strawberry, pineapple coconut, apricot nectar, tropical passion, whipped orange, cranberry twist, a cranberry raspberry lite as well as the blast line comprising Island Blast, Colada Blast, Power Berry Blast, Vita Blast and Banana Blast.

In 2001, we introduced a new line of soy smoothies in 1-liter and 11-ounce aseptic packaging in five flavors: berry splash, tropical breeze, orange dream, lemon chiffon and peach passion. The soy smoothies contain soy protein and fruit juices. In 2002 we introduced a 100% sparkling apple cider in a magnum 1.5-liter glass bottle.

The above juice and smoothie products are being marketed to our direct retail customers.

Healthy Start Product Line. During the second quarter of 1998, we launched our first Healthy Start(TM) 100% juice product. We subsequently expanded the line and entered into a licensing agreement with the Silver Foxes network in connection therewith. We also launched a Healthy Start 100% juice line in single serve glass bottles. Sales were disappointing and we have discontinued the entire line.

Iced Teas, Lemonades and Juice Cocktails. We introduced Hansen's(R) ready-to-drink iced teas and lemonades in 1993. Hansen's(R) ready-to-drink iced teas are currently available in three flavors: Original with Lemon, Tropical Peach and Wildberry. Lemonades are currently available in one flavor: Original Old Fashioned Lemonade. Hansen's(R) juice cocktails were introduced in 1994 and are currently available in three flavors: kiwi strawberry melon, tangerine pineapple with passion fruit, and California paradise punch. We introduced a variety 12 pack of iced teas during the first half of 2001, which experienced limited success. We are continuing to market this package. Hansen's(R) ready-to-drink iced teas, lemonades and juice cocktails were packaged in 16-ounce wide-mouth glass bottles. At the end of 2002, we converted this line from 16-ounce glass bottles to 16-ounce polypropylene bottles.

Hansen's(R) ready-to-drink iced teas are made with decaffeinated tea. Hansen's(R) juice products and smoothies are made with high quality juices and products that contain less than 100% fruit juice are also made with natural flavors, high fructose corn syrup, citric acid and other ingredients.

In 1999, we introduced a line of specialty teas in 20-ounce glass bottles, which we named our "Gold Standard" line. We subsequently introduced two additional green tea flavors as well as two diet green flavors and six juice cocktails. We are discontinuing certain of the specialty teas and all of the juice cocktails but are continuing to market three regular green tea flavors and the diet peach green tea flavor. Our Gold Standard line contains supplements, but at lower levels than in our functional drinks. We continue to package our Gold Standard Line in unique 20-ounce glass bottles. Additionally, in 2002 we introduced two of our iced tea products, namely green tea and original with lemon in 14-ounce aseptic packages.

Medicine Man Product Line. During 2001, we launched a premium line of alternative healthy iced teas and drinks under the "Medicine Man(R)" label in proprietary glass bottles. Response from customers and consumers to the Medicine Man(R) line was disappointing and, in consequence, we have discontinued this line.

Juices for Children. In the third quarter of 1999, we 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 and currently has three flavors. We introduce new flavors in place of existing flavors from time to time. One of these two lines is a dual-branded 100% juice line named "Juice Blast(R)" that was launched in conjunction with Costco Wholesale Corporation ("Costco") and is sold nationally through Costco stores. The other line was a 10% juice line named "Juice Slam(TM)" that was available to all of our customers. During 2000, we repositioned that line as a 100% juice line under the Juice Slam(TM) name and are currently marketing that line to grocery store chain customers, the health food trade, and other customers. In 2002, we changed the size of the Juice Blast(R) package to 6.75-ounces.

In May 2001, we acquired the Junior Juice(R) beverage business. The Junior Juice(R) product line is comprised of seven flavors of 100% juice in 4.23-ounce aseptic packages and is targeted at toddlers. Six flavors of the Junior Juice(R) line have calcium added and all flavors have vitamin C added. The current flavors in the Junior Juice(R) line are apple, apple berry, orange twist, apple grape, mixed fruit, fruit punch, and white grape.

Nutrition Bars. In 2000, we introduced a new line of nutrition food bars under the Hansen's(R) brand name. This line is made from grains and fruit. In addition, we introduced a new line of premium G.M.O. free (free from genetically modified organisms) cereals under the Hansen's(R) brand name. During the first half of 2001, we introduced a line of functional food bars and towards the end of the year introduced a line of active nutrition bars, which are specially formulated for adults who are older than 50 years of age. Sales of the bars and cereals have been disappointing and we are presently evaluating whether to persist with or discontinue all or certain of these products.

Hard e Product Line. During the third quarter of 2000, we introduced a malt-based drink under the name Hard e, which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's(R) name. Sales from this product line are limited.

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

Other Products

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

Manufacture and Distribution

We do not directly manufacture our products but instead outsource the manufacture to third party bottlers and packers.

We purchase concentrates, juices, flavors, vitamins, minerals, nutrients, herbs, supplements, caps, labels, trays, boxes and other ingredients for our beverage products which are delivered to our various third party bottlers and packers. Depending on the product being produced by them, the third party bottlers or packers add filtered water and/or high fructose corn syrup or cane sugar or Splenda brand sweetener, Acesulfame-K and/or citric acid or other ingredients and supplements for the manufacture and packaging of the finished products into approved containers. In the case of sodas and other carbonated beverages, the bottler/packer adds carbonation to the products as part of the production process.

We are generally responsible for arranging for the purchase of and delivery to our third party bottlers and packers of the containers in which our beverage products are packaged.

The ingredients for our nutrition food bars, functional food bars and active nutrition bars are purchased by our co-packers from various suppliers for manufacturing and packaging of the finished bars. Our cereal products are manufactured for us by an overseas supplier who supplies all of the ingredients.

All of our beverage products are manufactured by various third party bottlers and packers situated throughout the United States and Canada under separate arrangements with each of such parties. The majority of our co-packaging arrangements are on a month to month basis except for our agreement with Southwest Canning and Packaging, Inc. ("Southwest") pursuant to a contract under which Southwest packages Hansen's(R) natural sodas and our agreement with Hi-Country - Corona, Inc. ("Hi-Country") pursuant to which Hi-Country packages Hansen's(R) apple juice in P.E.T. plastic bottles, smoothies in 11.5-ounce cans and energy drinks in 8.3 and 16-ounce cans. The Southwest contract continues indefinitely and is subject to termination upon 60 days written notice from either party. The Hi-Country contract continues until 2007, but we are not obliged to manufacture all of our requirements or any minimum volumes at Hi-Country. In addition, upon termination of the Hi-Country contract for whatever reason, we are entitled to remove all equipment that we purchased and was installed at Hi-Country to enable them to manufacture our products.

Hard e malt-based drinks are manufactured for HEB by Reflo, Inc. ("Reflo"), pursuant to a manufacturing and distribution agreement dated as of March 23, 2000 ("Reflo Agreement"). Either party may elect to terminate the Reflo Agreement at any time on 90 days notice. Under the terms of the Reflo Agreement, Reflo administers the sales and distribution of such products throughout the United States, excluding Arizona, California, Nevada and Oregon where HEB is itself responsible for the sales and distribution of such products. Hard e is currently being distributed in 7 states. However, in many of such states, distribution is on an extremely limited scale.

In many instances, specific items of equipment are purchased by us and are installed at the facilities of our packers to enable them to produce certain of our products on their lines. In general, such equipment remains our property and is to be returned to us upon termination of the packing arrangements with such packers.

We pack certain of our products outside of the West Coast to enable us to produce products closer to the markets where they are sold and thereby reduce freight costs. As volumes in markets outside of California grow, we continue to secure additional packing arrangements closer to such markets to further reduce freight costs.

Our 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 we materially underestimate demand for our products or are unable to secure sufficient ingredients or raw materials including, but not limited to, glass, P.E.T./plastic bottles, cans or labels, or packing arrangements, we might not be able to satisfy demand on a short-term basis.

Although our arrangements for production of our products are generally of short duration or are terminable upon request, we believe a short disruption or delay would not significantly affect our revenues since alternative packing facilities in the United States with adequate capacity can usually be obtained for many of our products at commercially reasonable rates and/or within a reasonably short time period. However, there are limited packing facilities in the United States with adequate capacity and/or suitable equipment for many of our newer products, including our energy drinks and functional drinks in 8.3-ounce cans, Gold Standard line, aseptic juice products, Energade(R), sparkling apple cider in 1.5-liter magnum glass bottles, soy smoothies, Monster(TM) energy in 16-ounce cans and sparkling lemonades and orangeade lines. There are also limited shrink sleeve labeling facilities available in the United States with adequate capacity for our energy drinks in glass bottles and E2O Energy Water. A disruption or delay in production of any of such products could significantly affect our revenues from such products as alternative co-packing facilities in the United States with adequate capacity may not be available for such products either at commercially reasonable rates, and/or within a reasonably short time period, if at all. In addition, with regard to the Hard e product, while there are many co-packing facilities in the United States with adequate capacity that could produce such product, due to regulatory issues it may not be feasible for such product to be packed at alternative packaging facilities on short notice. Consequently, a disruption in production of such products could affect our revenues. We continue to seek alternative and/or additional co-packing facilities in the United States or Canada with adequate capacity for the production of its various products to minimize the risk of any disruption in production.

We have entered into distribution agreements with distributors to distribute Hansen's(R) energy drinks, Monster(TM) energy drinks, Diet Red energy drinks, Energade(R) sports drinks and E2O Energy Water in 49 states. In many states however, distribution is only on a limited scale. Certain of our products are sold in Canada. We also sell a limited range of our products to distributors outside of the United States, including the United Kingdom, Mexico, Japan, Guam, the Caribbean and the United Arab Emirates.

We continually seek to expand distribution of our products by entering into agreements with regional bottlers or other direct store delivery distributors having established sales, marketing and distribution organizations. Many of our 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 compete directly with our products.

We are continuing to take steps to reduce our inventory levels in an endeavor to lower our warehouse and distribution costs.

During 2002, we continued to expand distribution of our natural sodas and smoothies outside of our traditional California base. We expanded our national sales force to support and grow sales, primarily of Hansen's(R) energy drinks, Monster(TM) energy drinks, Diet Red energy drinks, Energade(R) energy sports drinks and E2O Energy Water and we intend to build such sales force in 2003. In 2002, we appointed Mr. Mike Schott as the Vice President of National Sales, Single Serve Products, with responsibility for the aforesaid products.

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

Our principal warehouse and distribution center and corporate offices relocated to our current facility in October 2000. We are continuing to take steps to reduce our inventory levels in an endeavor to lower our warehouse and distribution costs. See also "ITEM 2 - PROPERTIES."

Raw Materials and Suppliers

The principal raw materials used by us comprise aluminum cans, glass bottles and P.E.T. plastic bottles as well as juices, high fructose corn syrup and sucralose, the costs of which are subject to fluctuations. Due to the consolidations that have taken place in the glass industry over the past few years, the prices of glass bottles continue to increase. The price of plastic bottles and aluminum cans is expected to increase in the future. This will continue to exert pressure on our gross margins.

Generally, raw materials utilized by us in our business are readily available from numerous sources. However, certain raw materials are manufactured by only one company. Sucralose, which is used alone or in combination with Acesulfame-K in the Company's low-calorie products, is currently purchased by us from a single manufacturer. Cans for our energy and functional drinks (8.3 ounces) are only manufactured by one company in the United States.

With regard to fruit juice and juice-drink products, the industry is subject to the variability of weather conditions, which may result in higher prices and/or lower consumer demand for juices.

We purchase beverage flavors, concentrates, juices, supplements, high-fructose corn syrup, cane sugar, sucrose, sucralose and other sweeteners, from independent suppliers located in the United States and abroad, nutrition food bars and other ingredients from independent suppliers in the United States and abroad, and cereals from an independent supplier located abroad.

Generally, flavor suppliers hold the proprietary rights to their flavors. Consequently, we do not currently have the list of ingredients or formulae for our flavors and certain of our concentrates readily available to us and we may be unable to obtain these flavors or concentrates from alternative suppliers on short notice. We have identified alternative suppliers of many of the supplements contained in many of our beverages and bars. However, industry-wide shortages of certain fruits and/or fruit juices and/or supplements and/or sweeteners have been and could, from time to time in the future, be experienced, which could interfere with and/or delay production of certain of our products.

We continually endeavor to develop back-up sources of supply for certain of our flavors and concentrates from other suppliers as well as to conclude arrangements with suppliers which would enable us to obtain access to certain concentrates or product formulae in certain circumstances. We have been partially successful in these endeavors. Additionally, in a limited number of cases, contractual restrictions and/or the necessity to obtain regulatory approvals and licenses may limit our ability to enter into agreements with alternative suppliers and manufacturers and/or distributors.

In connection with the development of new products and flavors, independent suppliers bear a large portion of the expense of product development, thereby enabling us to develop new products and flavors at relatively low cost. We have historically developed and successfully introduced new products and flavors and packaging for our products and intend to continue developing and introducing additional new beverages and flavors.

Competition

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, development of new products and flavors and marketing campaigns. Our products compete with a wide range of drinks produced by a relatively large number of manufacturers, most of which have substantially greater financial, marketing and distribution resources than we do.

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

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

We compete 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. Our products compete with all liquid refreshments and with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers such as The Coca Cola Company, PepsiCo, Inc., Cadbury Schwepps, which includes Dr. Pepper/Seven-up, RC Cola, Snapple, Mistic and Stewart's brands, Nestle Beverage Company, Anheuser Busch and Ocean Spray. More specifically, our products compete with other alternative beverages, including new age beverages, such as Snapple, Elements, Mistic, Arizona, Clearly Canadian, Sobe, Stewart's, Everfresh, Nantucket Nectars, Vitamin Water, Fuse, VeryFine, V8 Splash, Calistoga, Propel Fitness Water, AquaFina, Dasani, Reebok, and Crystal Geyser 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 our products such as Nestea, Fruitopia, Lipton, Propel, AquaFina, Dasani, Adrenaline Rush, Amp, KMX and Dole. Our products also compete with private label brands such as those carried by grocery store chains and club stores.

Our fruit juice smoothies compete directly with Kern's, Jumex, Jugos del Valle and Libby's nectars, V8 Splash Smoothies, as well as with single serve juice products produced by many competitors. Such competitive products are packaged in glass and P.E.T. bottles ranging from 8- to 48 ounces in size and in 11.5-ounce aluminum cans. The juice content of such competitive products ranges from 1% to 100%.

Our apple and other juice products compete directly with Tree Top, Mott's, Martinelli's, Welch's, Ocean Spray, Tropicana, Minute Maid, Langers, Apple and Eve, Seneca, Northland and also with other brands of apple juice and juice blends, especially store brands.

Our energy drinks, including Hansen's(R) Diet Red and Monster(TM) energy in 8.3- and 16-ounce cans, compete directly with Red Bull, Adrenaline Rush, Amp, 180, KMX, Venom, Extreme Energy Shot, Rockstar, Red Devil, Lipovitan, MET-Rx, Hype, XTC, and many other brands and our other functional drinks compete directly with Elix, Lipovitan, MET-Rx, Think, and other brands.

Our E2O Energy WaterTM and still water products compete directly with Vitamin Water, Reebok, Propel, Dasani, Evian, Crystal Geyser, Naya, Palomar Mountain, Sahara, Arrowhead, Dannon, and other brands of still water especially store brands.

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

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

Sales and Marketing

We focus on consumers who seek products that are perceived to be natural and healthy and emphasize the natural ingredients and the absence of preservatives, sodium, artificial coloring and caffeine in our beverages (other than our energy drinks) and the addition to most of our products, of one or more supplements. We reinforce this message in our product packaging. Our marketing strategy with respect to our nutrition food bars and cereals is similarly to focus on consumers who seek bars and cereals that are perceived to be natural and healthy. We emphasize the natural ingredients and the absence of preservatives and, in the case of the cereals, the fact that they are G.M.O. free. Our marketing strategy with respect to our Hard e product is to focus on adult consumers who seek an alcohol-based beverage that is good tasting, fashionable and meets consumers' needs.

Our sales and marketing strategy is to focus our efforts on developing brand awareness and trial through sampling both in stores and at events in respect of all our beverage, food and alcoholic beverage products. We use our branded vehicles and other promotional vehicles at events at which we distribute our products to consumers for sampling. We utilize "push-pull" tactics to achieve maximum shelf and display space exposure in sales outlets and maximum demand from consumers for our products including advertising, in store promotions and in store placement of point of sale materials and racks, prize promotions, price promotions, competitions, endorsements from selected public figures, coupons, sampling and sponsorship of selected causes such as breast cancer research as well as sports figures and sporting events such as the Hansen's Energy Pro Pipeline Surfing competition, marathons, 10k runs, bicycle races, volleyball tournaments and other health and sports related activities, including extreme sports, particularly supercross, freestyle motor cross, surfing, skateboarding, wakeboarding, skiing, snowboarding, BMX, Mountain Biking, etc. and also participate in product demonstrations, food tasting and other related events. Posters, print, radio and television advertising together with price promotions and coupons are also used extensively to promote the Hansen's(R) brand.

Management continues to believe that one of the keys to success in the beverage industry is differentiation; such as making Hansen's(R) products clearly distinctive from other beverages on the shelves of retailers. We review our products and packaging on an ongoing basis and, where practical, endeavor to make them different, better and unique. The labels and graphics for many of our products were redesigned in an endeavor to develop a new system to maximize their visibility and identification, wherever they may be placed in stores and we will continue to reevaluate the same from time to time.

Where appropriate we partner with retailers to assist our marketing efforts. For example, while we retain 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 Juice Blast(R) line.

We increased expenditures for our sales and marketing programs by approximately 26% in 2002 compared to 2001. As of February 28, 2003, we employed 63 employees in sales and marketing activities.

Customers

Our customers are typically retail and specialty chains, club stores, mass merchandisers, full service beverage distributors and health food distributors. In 2002, sales to retailers represented 56% of our revenue, sales to full service distributors represented 26% of our revenue, and sales to health food distributors represented 11% of our revenue.

Our major customers include Costco, Trader Joe's, Sam's Club, Vons, Ralph's, Wal-Mart, Safeway and Albertson's. One customer, Costco (which purchases different products of Hansen's regionally and one product nationally), accounted for approximately 18% of our sales in 2002. A decision by that customer or any other major customer to decrease amounts purchased from the Company or to cease carrying our products could have a material negative effect on our financial condition and consolidated results of operations.

Seasonality

Sales of ready-to-drink beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions. Sales of our beverage products may become increasingly subject to seasonal fluctuations as more sales occur outside of California. Certain beverages are more seasonal than others i.e. E2O Energy Water and natural sodas as compared to apple juice and children's multi-vitamin juices.

Intellectual Property

We own numerous trademarks that are very important to our business. Depending upon the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can generally be renewed as long as the trademarks are in use. We also own the copyright in and to numerous statements made and content appearing on the packaging of our products.

The Hansen's(R) trademark is crucial to our 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 us and was acquired from a trust (the "Trust") which was created by an agreement between HBC and the predecessor company of Fresh Juice Company of California ("FJC") (the "Agreement of Trust"). The Trust licensed to HBC in perpetuity on an exclusive world-wide royalty-free basis the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters and shelf stable fruit juices and drinks containing fruit juices. In addition, the Trust licensed to HBC, in perpetuity, on an exclusive world-wide basis, the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of certain non-carbonated beverages and water in consideration of royalty payments. There was a similar license agreement between the Trust and HBC with regard to non-beverage products. No royalties were payable on sodas, Energy drinks, juices, lemonades, juice cocktails, fruit juice Smoothies, the Signature Soda line or on the children's multi-vitamin juice drinks. As explained below, no royalty expenses were incurred during 2002, 2001 or 2000.

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

Effective September 22, 1999, we entered into an Assignment and Agreement with FJC pursuant to which we acquired exclusive ownership of the Hansen's(R) trademark and trade names. Under the Assignment and Agreement, among other matters, we acquired all FJC's rights as grantor and beneficiary of the Trust, all FJC's rights as licensee under certain license agreement pursuant to which FJC has the right to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark and all FJC's rights under the Royalty Sharing Agreement referred to above, as well as certain additional rights, for a total consideration of $775,010, payable over three years. FJC is permitted to continue to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark for a period of five years. Consequently, we now have full ownership of the Hansen's(R) trademark and our obligation to pay royalties to, and to share royalties with, FJC has been terminated. As of December 31, 2002, the total consideration had been paid to FJC and no further amounts are payable to FJC.

We have applied to register a number of trademarks in the United States including, but not limited to, Hard e(TM), A New Kind a Buzz(TM), Monster(TM), Monster Energy (TM), Unleash the Beast (TM), Blue energy(TM) and Energy hydration system(TM).

We own in our own right, a number of trademarks including, but not limited to, Hansen's(R), Hansen's energy(R), Energade(R), Hansen's E2O Energy Water(R), Hansen's slim-down(R), THE REAL DEAL(R), LIQUIDFRUIT(R), Imported from Nature(R), California's Natural Choice(R), California's Choice(R), Medicine Man(R), Dyna Juice(R), Equator(R), Hansen's power(R), bewell(R), anti-ox(R), d-stress(R), stamina(R), Aqua Blast(R), Antioxjuice(R) Intellijuice(R), Defense(R), Immunejuice(R), Hansen's Natural Multi-Vitamin Juice Slam(R) and Juice Blast(R) in the United States and the Hansen's(R) and "Smoothie(R)" trademarks in a number of countries around the world.

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

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

On April 4, 2000, the United States Patent and Trademark Office issued a patent to us 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 us to secure shelf space for and to merchandise our energy and functional drinks in 8.3-ounce slim cans in refrigerated Visi coolers and walk-in coolers in retail stores.

Government Regulation

The production, distribution and sale in the United States of many of our products is subject to the Federal Food, Drug and Cosmetic Act; the Dietary Supplement Health and Education Act of 1994; the Occupational Safety and Health Act; various environmental statutes; and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products.

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

A California law requires that a specific warning appear on any product that contains a component listed by the State as having been found to cause cancer or birth defects. The law exposes all food and beverage producers to the possibility of having to provide warnings on their products because the law recognizes no generally applicable quantitative thresholds below which a warning is not required. Consequently, even trace amounts of listed components can expose affected products to the prospect of warning labels. Products containing listed substances that occur naturally in the product or that are contributed to the product solely by a municipal water supply are generally exempt from the warning requirement. While none of our beverage products are currently required to display warnings under this law, we cannot predict whether an important component of any of our products might be added to the California list in the future. We also are unable to predict whether or to what extent a warning under this law would have an impact on costs or sales of our products.

Bottlers of our beverage products presently offer non-refillable, recyclable containers in all areas of the United States and Canada. Some of these bottlers also offer refillable containers, which are also recyclable. Measures have been enacted in various localities and states that require that a deposit be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other deposit, recycling or product stewardship proposals have been introduced in states and localities and in Congress, and we anticipate that similar legislation or regulations may be proposed in the future at the local, state and federal levels, both in the United States and elsewhere.

Our facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect upon our capital expenditures, net income or competitive position.

Employees

As of February 28, 2003, we employed a total of 111 employees, 109 persons on a full-time basis. Of our 111 employees, we employ 48 in administrative and quality control capacities and 63 persons in sales and marketing capacities.

Compliance with Environmental Laws

In California, we are required to collect deposits from our customers and to remit such deposits to the State of California Department of Conservation based upon the number of cans and bottles of certain carbonated and non-carbonated products sold. In certain other states and Canada where Hansen's(R) products are sold, we are also required to collect deposits from our customers and to remit such deposits to the respective conservation agencies based upon the number of cans and bottles of certain carbonated and non-carbonated products, sold in such states.

Available Information

Our Internet address is www.hansens.com. Information contained on our website is not part of this annual report on Form 10-K. Our annual report on Form 10-K and quarterly reports on Form 10-Q will, in the future, be made available free of charge on www.hansens.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, you may request a copy of these filings (excluding exhibits) at no cost by writing or telephoning us at the following address or telephone number:

Hansen Beverage Company
1010 Railroad Street
Corona, CA 92882
(909) 739-6200
(800) HANSENS

ITEM 2. PROPERTIES

Our corporate offices and main warehouse are located at 1010 Railroad Street, Corona, California 92882. We lease this facility under a lease that expires in October 2010. The area of the facility is approximately 113,600 square feet. Additionally, in January 2003 we entered into a lease for additional warehouse space in Corona, California. The area of this facility is approximately 38,400 square feet. This lease will expire in March 2005 but is terminable with notice prior to the expiration date. We also rent additional warehouse space on a short-term basis from time to time in public warehouses situated throughout the United States and Canada.

ITEM 3. LEGAL PROCEEDINGS

In March 2001, we filed a complaint in the United States District Court for the Central District of California against South Beach Beverage Company LLC ("Sobe"), for patent infringement, violation of trademark rights, false advertising, unfair competition, trespass to chattels and tortious interference with business relations arising from Sobe's unlawful conduct and unauthorized use of our property and our patent in respect of our rolling rack shelf structure, Sobe's improper business practices, interference with our right to conduct business, injunctive relief and unspecified monetary damages. On January 3, 2002, we filed a motion to supplement our complaint. In our motion, we sought to add two of Sobe's affiliates, PepsiCo, Inc. and the Pepsi Bottling Company Group Inc. as co-defendants. At about the same time, Sobe filed a motion to enforce an alleged settlement. In its motion, Sobe alleges that the parties reached a binding settlement and that the case should be dismissed. We contend that the proposed agreement was never finalized or signed and is consequently not binding on us. Both motions have been under submission since February 2002 and we are currently awaiting the decision of the court.

In December 2002, a non-profit organization describing itself as Citizens for Responsible Business Inc., filed a complaint against us together with more than a hundred additional defendants comprising retailers, distributors, manufacturers and suppliers, in the Superior Court of San Francisco. In that complaint, the plaintiff seeks preliminary and permanent injunctive relief enjoining the Company and all other defendants from selling food products advertised as "ginseng" or "siberian ginseng" that are not derived from plants classified within the genus "panax", for restitution and disgourgement of monies obtained from the sale of products advertised as "ginseng" or "siberian ginseng" which were not derived from plants classified within the genus "panax" or were derived from eleuthero plants, attorneys fees and other relief. We are defending such complaint and have been advised by our counsel that we have good and meritorious defenses to the complaint. In any event, as siberian ginseng is not a material ingredient in any of our products and is used in only a limited number of our products, it is not expected that ceasing to advertise our products as containing this ingredient, if necessary, will have an adverse effect on the sales of our products.

During 2002, in response to our cease and desist letter to Skyy Spirits in which we alleged infringement by Skyy Spirits and/or its licensee of our Blue Sky(R) trademark, Skyy Spirits filed a complaint in the United States District Court for the Northern District of California for a declaratory order and additional relief. We filed a counterclaim against Skyy Spirits and joined Miller Brewing Company in the proceedings in which we have sought an injunction and claimed damages, including an accounting for profits earned by both Skyy Spirits and Miller Brewing Company, from the sale of the infringing beverage products and further relief.

Furthermore, we are subject to litigation from time to time in the normal course of business. Although it is not possible to predict the outcome of such litigation, based on the facts known to us and after consultation with counsel, we believe that such litigation will not have a material adverse effect on our financial position or results of operations.

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

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

The annual meeting of stockholders of the Company was held on October 18, 2002. At the meeting, the following individuals were elected as directors of the Company and received the number of votes set opposite their respective names:

Director	Votes For
Rodney C. Sacks	8,987,406
Hilton H. Schlosberg	8,987,406
Benjamin M. Polk	8,987,406
Norman C. Epstein	8,987,306
Harold C. Taber, Jr.	8,987,306
Mark S. Vidergauz	8,987,306

In addition, at the meeting our stockholders ratified the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ended December 31, 2002, by a vote of 8,938,146 for, 8,287 against and 3,040 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 3, 2003, there were 10,223,203 shares of the Company's Common Stock outstanding held by approximately 624 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, 2000 to December 31, 2002:

Common Stock

	High Bid	Low Bid
Year Ended December 31, 2002		
First Quarter	$ 4.49	$ 3.82
Second Quarter	$ 4.40	$ 3.73
Third Quarter	$ 4.41	$ 3.00
Fourth Quarter	$ 4.65	$ 3.58
Year Ended December 31, 2001		
First Quarter	$ 4.31	$ 3.25
Second Quarter	$ 3.68	$ 2.93
Third Quarter	$ 3.98	$ 3.20
Fourth Quarter	$ 4.25	$ 3.30
Year Ended December 31, 2000		
First Quarter	$ 4.63	$ 4.00
Second Quarter	$ 4.50	$ 3.41
Third Quarter	$ 5.91	$ 4.13
Fourth Quarter	$ 5.38	$ 3.25

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.

We have not paid dividends to our stockholders since our inception and do not anticipate paying dividends in the foreseeable future.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2002 with respect to shares of our common stock that may be issued under our equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,501,900	$3.29	1,497,500
Equity compensation plans not approved by security holders	-	-	-
Total	1,501,900	$3.29	1,497,500

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data set forth below with respect to each of the years ended December 31, 1998 through 2002 and the balance sheet data as of December 31, for the years indicated, are derived from our consolidated financial statements audited by Deloitte & Touche LLP, independent auditors, and should be read in conjunction with those financial statements and notes thereto included elsewhere in this and in the 1998, 1999, 2000 and 2001 Forms 10-K.

(in thousands, except per share information)	2002	2001	2000	1999	1998
Gross Sales	$115,490	$99,693	$86,072	$77,793	$58,479
Net sales	$ 92,046	$80,658	$71,706	$66,184	$48,628
Net income	$ 3,029	$ 3,019	$ 3,915	$ 4,478	$ 3,563
Net income per Common share					
Basic	$ 0.30	$ 0.30	$ 0.39	$ 0.45	$ 0.38
Diluted	$ 0.29	$ 0.29	$ 0.38	$ 0.43	$ 0.34
Total assets	$ 40,102	$38,561	$38,958	$28,709	$22,557
Long-term debt	$ 3,606	$ 5,851	$ 9,732	$ 903	$ 1,335

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

You should read the following discussion together with the financial statements and the related notes included elsewhere in this Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements.

General

During 2002, we continued to expand our existing product lines and further develop our markets. In particular, we continue to focus on developing and marketing beverages that fall within the category generally described as the "alternative" beverage category, with particular emphasis on energy type drinks.

We achieved record sales in 2002. The increase in gross and net sales in 2002 was primarily attributable to sales of our Monster (TM) energy drink, which was introduced in April 2002, as well as increased sales of Natural Sodas, E2O Energy WaterTM, which was introduced in June 2001, Energade(R) energy sports drinks which were introduced in July 2001, apple juice, and Soy Smoothies, which were introduced in December 2001. We also benefited to a lesser extent from increased sales of the children's multi-vitamin juice drinks and Junior Juice(R), which trademark was acquired in May 2001. The increase in gross and net sales was partially offset by decreased sales of Signature Soda, Smoothies, Hard e, functional drinks and teas, lemonades and cocktails.

During 2002, sales outside of California represented 42% of our aggregate sales, as compared to approximately 39% of our aggregate sales in 2001. Sales to distributors outside the United States during 2002 amounted to $1,242,000 compared to $1,233,000 in 2001.

In 2002, we introduced a diet ginger ale, natural mixers, Monster(TM) energy, E2O Energy Water in 24-ounce clear P.E.T. plastic bottles, a 100% sparkling Apple Cider, a Diet Red energy drink, a Blue Sky(R) energy drink and diet sparkling Lemonades and Orangeades. We also introduced a line of diet Natural Sodas in 12-ounce cans at the end of 2000/beginning of 2001 and an additional flavor, Ginger Ale, to our regular natural soda line in 2001. In addition, in 2001, we also introduced our original energy drink in 8.3-ounce glass bottles, two additional energy drinks in 8.3-ounce slim-cans, sparkling lemonades and orangeades in 1-liter glass bottles, Medicine Man(R) in glass bottles, Energade(R) in 23.5-ounce cans, E2O Energy Water in 24-ounce blue P.E.T. plastic bottles, Soy Smoothies in 1-liter and 11-ounce aseptic packaging, additional juice blends in 64-ounce P.E.T. bottles, fruit juice Smoothies in 16-ounce P.E.T. bottles, functional nutrition bars and active nutrition bars. In 2002, we discontinued our smoothie line in 64-ounce P.E.T. bottles and converted our smoothie products in 12-ounce glass bottles to 16-ounce P.E.T. plastic bottles. We also discontinued our entire Healthy Start/Silver Foxes 100% juice line in glass and P.E.T. plastic bottles and the Medicine Man(R) line. At the beginning of 2003, we repackaged our Signature Soda line into new lower cost glass packaging.

Sales of our dual-branded 100% juice line named "Juice Blast(R)", which was launched in conjunction with Costco and is sold nationally through Costco stores, were slightly higher in 2002 than in 2001. We have, in conjunction with Costco, introduced new flavors in place of certain of the existing flavors and will continue to introduce new flavors in an effort to ensure that the variety pack remains fresh and different for consumers.

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

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

During 2002, we entered into several new distribution agreements for the sale of our products, both within and outside the United States. As discussed under "ITEM 1 BUSINESS - MANUFACTURE and DISTRIBUTION", we anticipate that we will continue building our national sales force in 2003 to support and grow the sales of our products.

Further, during 2002, we, through our wholly owned subsidiary, HEB, continued to market a malt-based beverage called Hard e, which contains up to 5% alcohol. The Hard e product is not marketed under the Hansen's(R) name.

We continue to incur expenditures in connection with the development and introduction of new products and flavors.

Results of Operations for the Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

Gross Sales. For the year ended December 31, 2002, gross sales were $115.5 million, an increase of $15.8 million or 15.8% higher than gross sales of $80.7 million for the year ended December 31, 2001. The increase in gross sales is primarily attributable to the introduction of new products and increased sales of certain of our existing products as discussed below in "Net Sales".

Net Sales. For the year ended December 31, 2002, net sales were $92.0 million, an increase of $11.3 million or 14.1% higher than net sales of $80.7 million for the year ended December 31, 2001. The increase in net sales was primarily attributable to sales of our Monster (TM) energy drink, which was introduced in April 2002, as well as increased sales of Natural Sodas, E2O Energy Water, which was introduced in June 2001, Energade(R) energy sports

drinks, which were introduced in July 2001, apple juice, and Soy Smoothies, which were introduced in December 2001. We also benefited to a lesser extent from increased sales of the children's multi-vitamin juice drinks, Junior Juice(R), which was acquired in May 2001, and smoothies in P.E.T. plastic bottles. The increase in net sales was partially offset by decreased sales of Signature Soda, Hard e, functional drinks, teas, lemonades and cocktails and smoothies in cans as well as an increase in discounts, allowances and promotional payments, notably higher coupon costs.

Gross Profit. Gross profit was $33.2 million for the year ended December 31, 2002, an increase of $4.3 million or 15.2% over the $28.9 million gross profit for the year ended December 31, 2001. Gross profit as a percentage of net sales was 36.1% for the year ended December 31, 2002 which was slightly higher than gross profit as a percentage of net sales of 35.8% for the year ended December 31, 2001. The increase in gross profit was primarily attributable to increased net sales. Although a greater percentage of our sales comprised products having higher gross margins than the prior year, the increase in profit margins was reduced by higher promotional payments and allowances to promote our products notably higher coupon costs.

Total Operating Expenses. Total operating expenses were $28.0 million for the year ended December 31, 2002, an increase of $4.7 million or 19.9% over total operating expenses of $23.3 million for the year ended December 31, 2001. Total operating expenses as a percentage of net sales increased to 30.4 % for the year ended December 31, 2002, from 28.9% for the year ended December 31, 2001. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses. The increase in total operating expenses as a percentage of net sales was primarily attributable to the comparatively larger increase in selling, general and administrative expenses than the increase in net sales.

Selling, General and Administrative. Selling, general and administrative expenses were $27.9 million for the year ended December 31, 2002, an increase of $5.1 million or 22.3% over selling, general and administrative expenses of $22.8 million for the year ended December 31, 2001. Selling, general and administrative expenses as a percentage of net sales increased to 30.3% for the year ended December 31, 2002 from 28.3% for the year ended December 31, 2001. Selling expenses were $16.1 million for the year ended December 31, 2002, an increase of $3.7 million or 29.9% over selling expenses of $12.4 million for the year ended December 31, 2001. Selling expenses as a percentage of net sales increased to 17.4% for the year ended December 31, 2002 from 15.3% for the year ended December 31, 2001. The increase in selling expenses was primarily attributable to increased distribution (freight) and storage expenses, advertising, point-of-sale materials and merchandise displays, in-store demonstrations and graphic design. The increase in selling expenses was partially offset by a decrease in expenditures for premiums. General and administrative expenses were $11.8 million for the year ended December 31, 2002, an increase of $1.4 million or 13.3% over general and administrative expenses of $10.4 million for the year ended December 31, 2001. General and administrative expenses as a percentage of net sales were 12.9% for the year ended December 31, 2002 which was comparable to the year ended December 31, 2001. The increase in general and administrative expenses was primarily attributable to an increase in payroll costs, charitable contributions, fees paid for legal and accounting services and increased travel expenses as well as other general and administrative expenses. The decrease in general and administrative expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively lower increase in payroll costs.

Amortization of Trademark License and Trademarks. Amortization of trademark license and trademarks was $55,000 for the year ended December 31, 2002, a decrease of $452,000 from amortization of trademark license and trademarks of $507,000 for the year ended December 31, 2001. The decrease in amortization of trademark license and trademarks was due to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142 in the first quarter of 2002 (Note 2 of the financial statements) which eliminated amortization on indefinite-lived intangible assets.

Operating Income. Operating income was $5.3 million for the year ended December 31, 2002, compared to $5.6 million for the year ended December 31, 2001. The $258,000 decrease in operating income was primarily attributable to increased operating expenses, which was partially offset by increased gross profit.

Net Non-operating Expense. Net non-operating expense was $228,000 for the year ended December 31, 2002, which was $291,000 lower than net non-operating expense of $519,000 for the year ended December 31, 2001. Net non-operating expense consists of interest and financing expense and interest income. Interest and financing expense for the year ended December 31, 2002 was $231,000, as compared to $528,000 for the year ended December 31, 2001. The decrease in interest and financing expense was primarily attributable to decreased interest expense incurred on our borrowings which was primarily attributable to the decrease in outstanding loan balances and lower interest rates. Interest income for the year ended December 31, 2002 was $3,000, as compared to interest income of $9,000 for the year ended December 31, 2001. The decrease in interest income was primarily attributable to a reduction in the cash available for investment during the year ended December 31, 2002.

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 2002 was $2.0 million which was comparable to the provision for income taxes of $2.0 million for the year ended December 31, 2001. The effective combined federal and state tax rate for 2002 was 40.2%, which was comparable to the effective tax rate of 40.0% for 2001.

Net Income. Net income was $3.0 million for the year ended December 31, 2002, which was comparable to net income for the year ended December 31, 2001. The $4.3 million increase in gross profit and decrease in nonoperating expense of $291,000 for the year ended December 31, 2002 was offset by increased operating expenses of $4.7 million.

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

Gross Sales. For the year ended December 31, 2001, gross sales were $99.7 million, an increase of $13.6 million or 15.8% higher than gross sales of $86.1 million for the year ended December 31, 2000. The increase in gross sales is primarily attributable to the introduction of new products and increased sales of certain of our existing products as discussed below in "Net Sales".

Net Sales. For the year ended December 31, 2001, net sales were $80.7 million, an increase of $9.0 million or 12.5% higher than gross sales of $71.7 million for the year ended December 31, 2000. The increase in net sales was primarily attributable to increased sales of natural sodas, Blue Sky(R) soda, which was acquired in September 2000, apple juice and sales of Junior Juice, which was acquired in May 2001. The increase in sales was attributable to a lesser extent to sales of Energade(R), which was introduced in July 2001 and E2O Energy Water, which was introduced in June 2001. The increase in net sales was partially offset by decreased sales of smoothies in glass and P.E.T. bottles, Signature Sodas, children's multi-vitamin juice drinks, and teas, lemonade and juice cocktails as well as increased discounts, allowances and promotional payments.

Gross Profit. Gross profit was $28.9 million for the year ended December 31, 2001, a decrease of $64,000 or 0.2% from the $29.0 million gross profit for the year ended December 31, 2000. Gross profit as a percentage of net sales decreased to 35.8% for the year ended December 31, 2001 from 40.3% for the year ended December 31, 2000. The decrease in gross profit was primarily attributable to increases in discounts, allowances and promotional payments as well as increased cost of goods sold which was almost wholly offset by increased net sales. The decrease in gross profit as a percentage of net sales is primarily attributable to slightly lower margins achieved as a result of a change in our product and customer mix.

Total Operating Expenses. Total operating expenses were $23.3 million for the year ended December 31, 2001, an increase of $1.3 million or 5.8% over total operating expenses of $22.0 million for the year ended December 31, 2000. Total

operating expenses as a percentage of net sales decreased to 28.9% for the year ended December 31, 2001, from 30.7% for the year ended December 31, 2000. The increase in total operating expenses was primarily attributable to increased selling, general and administrative 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 lower increase in selling, general and administrative expenses.

Selling, General and Administrative expenses. Selling, general and administrative expenses were $22.8 million for the year ended December 31, 2001, an increase of $1.1 million or 5.3% over selling, general and administrative expenses of $21.7 million for the year ended December 31, 2000. Selling, general and administrative expenses as a percentage of net sales decreased to 28.3% for the year ended December 31, 2001 from 30.2% for the year ended December 31, 2000. Selling expenses were $12.4 million for the year ended December 31, 2001, a decrease of $244,000 or 1.9% over selling expenses of $12.6 million for the year ended December 31, 2000. Selling expenses as a percentage of net sales decreased to 15.3% for the year ended December 31, 2001 from 17.6% for the year ended December 31, 2000. The decrease in selling expenses was primarily attributable to a decrease in expenditures for advertising, merchandise displays, point of sale and in-store demonstrations which was largely offset by an increase in distribution (freight) expenses, commissions, expenditures for graphic design and premiums as well as fees paid for slotting. General and administrative expenses were $10.4 million for the year ended December 31, 2001, an increase of $1.4 million or 15.4% over general and administrative expenses of $9.1 million for the year ended December 31, 2000. General and administrative expenses as a percentage of net sales were 12.9% for the year ended December 31, 2001 as compared to 12.6% for the year ended December 31, 2000. The increase in general and administrative expenses was partially attributable to an increase in payroll costs, which was partially offset by a decrease in other general and administrative costs. The increase in payroll costs was partially attributable to noncash compensation expense related to the exercise of stock options of $231,000.

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

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

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

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

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

Liquidity and Capital Resources

As of December 31, 2002, the Company had working capital of $14,950,000 compared to working capital of $12,978,000 as of December 31, 2001. The increase in working capital was primarily attributable to net income earned after adjustments for certain non-cash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, a decrease in deposits and other assets and an increase in deferred income taxes which was partially offset by payments made in reduction of long-term debt and increased expenditures for the acquisition of property, trademark license and trademarks.

Net cash provided by operating activities for the year ended December 31, 2002 was $2,727,000, compared to cash provided by operating activities of $5,203,000 during 2001. The decrease in cash provided by operating activities was primarily attributable to increases in accounts receivable, which was partially offset by decreases in amortization of trademark license and trademarks, decreases in inventory, and an increase in accounts payable. Purchases of inventories, increases in accounts receivable, and other assets, acquisition of property and equipment, acquisition of trademark licenses and trademarks, and repayment of our line of credit and accounts payable are expected to remain our principal recurring use of cash and working capital funds.

Net cash used in investing activities for the year ended December 31, 2002 was $92,000 as compared to net cash used in investment activities of $682,000 in 2001. The decrease in net cash used in investing activities was primarily attributable to lower levels of purchases of property and equipment and trademark acquisitions, which was partially offset by increased expenditures for deposits and other assets in 2002. Management, from time to time, considers the acquisition of capital equipment, particularly, specific items of production equipment required to produce certain of our products, merchandise display racks, vans and promotional vehicles, coolers and other promotional equipment and businesses compatible with the image of the Hansen's(R) brand, as well as the introduction of new product lines.

Net cash used in financing activities was $2.3 million for the year ending December 31, 2002, as compared to net cash used in financing activities of $4.4 million in 2001. The decrease in net cash used in financing activities as compared to the prior year was primarily attributable to decreased principal payments of long-term debt, which was marginally offset by decreased proceeds from the issuance of common stock during 2002.

In 1997, HBC obtained a credit facility from Comerica Bank-California ("Comerica"), consisting of a revolving line of credit of up to $3.0 million in aggregate at any time outstanding and a term loan of $4.0 million. The utilization of the revolving line of credit by HBC was dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loan was secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. That facility was subsequently modified from time to time, and on September 19, 2000, HBC entered into modification agreement with Comerica which amended certain provisions under the above facility in order to finance the acquisition of the Blue Sky business, repay the term loan, and provide additional working capital ("Modification Agreement"). Pursuant to the Modification Agreement, the revolving line of credit was increased to $12.0 million, reducing to $6.0 million by September 2004. The revolving line of credit remains in full force and effect through September 2005. Interest on borrowings under the line of credit is based on bank's base (prime) rate, plus an additional percentage of up to 0.5% or the LIBOR rate, plus an additional percentage of up to 2.5%, depending upon certain financial ratios of HBC from time to time. At December 31, 2002, $2,969,000 was outstanding under the credit facility and borrowing capacity available to the Company from Comerica under the credit facility was $6,331,000.

The following represents a summary of the Company's contractual obligations and related scheduled maturities as of December 31, 2002:

	Long Term Debt & Capital Lease Obligations	Operating Lease	Total
Year ending December 31:			
2003	$ 230,740	$ 653,727	$ 884,467
2004	264,234	656,536	920,770
2005	3,195,314	658,179	3,853,493
2006	146,492	680,708	827,200
2007		660,468	660,468
Thereafter		1,879,017	1,879,017
	$ 3,836,780	$ 5,188,635	$ 9,025,415

The terms of the Company's line of credit contain certain financial covenants including certain financial ratios and annual net income requirements. The line of credit contains provisions under which applicable interest rates will be adjusted in increments based on the achievement of certain financial ratios. The Company was in compliance with the financial covenants at December 31, 2002.

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

Management believes that cash available from operations, including cash resources and the revolving line of credit, will be sufficient for our working capital needs, including purchase commitments for raw materials, payments of tax liabilities, debt servicing, expansion and development needs, purchases of shares of our common stock, as well as any purchases of capital assets or equipment through December 31, 2003.

Critical Accounting Policies

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

Trademark License and Trademarks - Trademark license and trademarks represent primarily the Company's ownership of the Hansen's(R) trademark in connection with the manufacture, sale and distribution of beverages, water and non-beverage products. The Company also owns in its own right, a number of other trademarks in the United States as well as in a number of countries around the world. The Company also owns the Blue Sky(R) trademark, which was acquired in September 2000, and the Junior Juice(R) trademark, which was acquired in May 2001. During 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under the provisions on SFAS No. 142, the Company discontinued amortization on indefinite-lived trademark licenses and trademarks while continuing to amortize remaining trademark licenses and trademarks over one to 25 years.

Long-Lived Assets - Management regularly reviews property and equipment and other long-lived assets, including certain identifiable intangibles, for possible impairment. This review occurs annually, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is indication of impairment of property and equipment or amortizable intangible assets, then management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from

the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated at the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Annually, or earlier, if there is indication of impairment of identified intangible assets not subject to amortization, management compares the estimated fair value with the carrying amount of the asset. An impairment loss is recognized to write down the intangible asset to its fair value if it is less than the carrying amount. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. No impairments were identified as of December 31, 2002.

Management believes that the accounting estimate related to impairment of its long lived assets, including its trademark license and trademarks, is a "critical accounting estimate" because: (1) it is highly susceptible to change from period to period because it requires company management to make assumptions about cash flows and discount rates; and (2) the impact that recognizing an impairment would have on the assets reported on our consolidated balance sheet, as well as net income, could be material. Management's assumptions about cash flows and discount rates require significant judgement because actual revenues and expenses have fluctuated in the past and are expected to continue to do so.

In estimating future revenues, we use internal budgets. Internal budgets are developed based on recent revenues data for existing product lines and planned timing of future introductions of new products and their impact on our future cash flows.

Advertising and Promotional Allowances - The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. In addition, the Company supports its customers with promotional allowances, a portion of which is utilized for marketing and indirect advertising by them. In certain instances, portion of the promotional allowances payable to customers based on the levels of sales to such customers, promotion requirements or expected use of the allowances, are estimated by the Company. If the level of sales, promotion requirements or use of the allowances are different from such estimates, the promotional allowances could, to the extent based on estimates, be affected. During 2002, the Company adopted Emerging Issues Task Force ("EITF") No. 01-9 which requires certain sales promotions and customer allowances previously classified as selling, general and administrative expenses to be classified as a reduction of sales or as cost of goods sold. The Company has conformed its presentation of advertising and promotional allowances to comply with the provisions of EITF No. 01-9.

Newly Issued Accounting Pronouncements

During 2000 and 2001, the EITF addressed various issues related to the income statement classification of certain promotional payments, including consideration from a vendor to a reseller or another party that purchases the vendor's products. EITF No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products, was issued in November 2001 and codified earlier pronouncements. The consensus requires certain sales promotions and customer allowances previously classified as selling, general and administrative expenses to be classified as a reduction of net sales or as cost of goods sold. The Company adopted EITF No. 01-9 on January 1, 2002. The effect of the change in accounting related to the adoption of EITF No. 01-9 for the year ended December 31, 2002 was to decrease net sales by $14,846,875, increase cost of goods sold by $220,394 and decrease selling, general and administrative expenses by $15,067,269. For the year ended December 31, 2001 net sales decreased by $11,621,396, cost of goods sold increased by $341,332 and selling, general and administrative expenses decreased by $11,962,728. For the year ended December 31, 2000, $8,026,724 has been classified as a reduction of net sales and $133,390 as an increase in cost of goods sold, both of which were previously reported as selling, general and administrative expense respectively.

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets. This statement discontinued the amortization of goodwill and indefinite-lived intangible assets, subject to periodic impairment testing. Upon adoption of SFAS No. 142, the Company

evaluated the useful lives of its various trademark licenses and trademarks and concluded that certain of the trademark licenses and trademarks have indefinite lives. Unamortized trademark licenses and trademarks ceased to be amortized effective January 1, 2002 and will be subject to periodic impairment analysis. Had the non-amortization provision of SFAS No. 142 been adopted as of January 1, 2000, net income and net income per share for the years ended December 31, 2002, 2001, and 2000 would have been adjusted as follows:

	For the years ended December 31,		
	2002	2001	2000
Net income, as reported	$3,029,195	$3,019,353	$3,915,126
Add back: Amortization of trademark licenses and trademarks with indefinite lives (net of tax effect)	-	292,241	211,716
Adjusted net income	$3,029,195	$3,311,594	$4,126,842
Net income per common share - basic, as reported	$ 0.30	$ 0.30	$ 0.39
Amortization of trademark licenses and trademarks with indefinite lives (net of tax effect)	-	0.03	0.02
Adjusted net income per common share - basic	$ 0.30	$ 0.33	$ 0. 41
Net income per common share - diluted, as Reported	$ 0.29	$ 0.29	$ 0.38
Amortization of trademark licenses and trademarks with indefinite lives (net of tax effect)	-	0.03	0.02
Adjusted net income per common share - diluted	$ 0.29	$ 0.32	$ 0.40

On January 1 and December 31, 2002, the nonamortizing trademark licenses and trademarks were tested for impairment in accordance with the provisions of SFAS No. 142. Fair values were estimated based on the Company's best estimate of the expected present value of future cash flows. No amounts were impaired at that time. In addition, the remaining useful lives of trademark licenses and trademarks being amortized were reviewed and deemed to be appropriate.

The FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after September 15, 2002. The Company does not expect that the adoption of this standard will have a material impact on its financial position, cash flows or results of operations.

Effective January 1, 2002, the Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective for fiscal years beginning after December 15, 2001. The new rules on asset impairment supersede FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and provide a single accounting model for long-lived assets to be disposed of. The Company has performed an analysis and determined that the adoption of this Statement had no effect on the earnings or financial position of the Company.

In April 2002, the FASB issued Statement No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, effective for fiscal years beginning after June 15, 2002. For most companies, Statement No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Statement No. 145 also amends Statement No. 13 to require certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for sub-leases when the original lessee remains a secondary obligor (or guarantor). In addition, the FASB rescinded Statement No. 44, which addressed the accounting for intangible assets of motor carriers and made numerous technical corrections. The Company has not yet determined the effect, if any, of the adoption of this Statement.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses financial accounting and reporting for costs associated with exit or disposal activities and supersedes EITF No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring.) SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost as defined in EITF No. 94-3 was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The Company will adopt the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, effective for fiscal years ending after December 15, 2002. Statement No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The Company has adopted the new disclosure requirements of SFAS No. 148 as of December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN No. 45"). FIN No. 45 clarifies and expands on existing disclosure requirements for guarantees, including loan guarantees. It also would require that, at the inception of a guarantee, the Company must recognize a liability for the fair value of its obligation under that guarantee. The initial fair value recognition and measurement provisions will be applied on a prospective basis to certain guarantees issued or modified after December 31, 2002. The disclosure provisions are effective for financial statements of periods ending after December 15, 2002. The Company does not expect that the adoption of FIN No. 45 will have a material impact on its financial position, cash flows or results of operations.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 ("FIN No. 46"). FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be applied for the first interim or annual period beginning after June 15, 2003. Since the Company has no interests in variable interest entities, the Company does not expect that the adoption of FIN No. 46 will have a material impact on its financial position, cash flows or results of operations.

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 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 our 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.

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

- The Company's ability to generate sufficient cash flows to support capital expansion plans and general operating activities;
- Changes in consumer preferences;
- Changes in demand that are weather related, particular in areas outside of California;
- 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;
- The introduction of new products;
- Laws and regulations, and/or any changes therein, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws as well as the Federal Food Drug and Cosmetic Act, the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, especially those that may affect the way in which the Company's products are marketed as well as laws and regulations or rules made or enforced by the Food and Drug Administration and/or the Bureau of Alcohol, Tobacco and Firearms and/or certain state regulatory agencies;
- 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;
- The Company's ability to achieve earnings forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others and in respect of many which the Company's experience is limited. There can be no assurance that the Company will achieve projected levels or mixes of product sales;
- The Company's ability to penetrate new markets;
- The marketing efforts of distributors of the Company's products, most of which distribute products that are competitive with the products of the Company;
- Unilateral decisions by distributors, grocery store chains, specialty chain stores, club stores, mass merchandisers and other customers to discontinue carrying all or any of the Company's products that they are carrying at any time;
- The terms and/or availability of the Company's credit facility and the actions of its creditors;
- The effectiveness of the Company's advertising, marketing and promotional programs;
- The Company's ability to make suitable arrangements for the co-packing of its various products including, but not limited to, its energy and functional drinks in 8.3-ounce slim cans, smoothies in 11.5-ounce cans, E2O Energy Water, Energade, Monster energy drinks, soy smoothies, sparkling orangeades and lemonades in glass bottles and other products.

The foregoing list of important factors is not exhaustive.

Our actual results could be materially different from the results described or anticipated by our forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections and may be better or worse than anticipated. Given these uncertainties, you should not rely on forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, in order to reflect changes in circumstances or expectations or the occurrence of unanticipated events except to the extent required by applicable securities laws.

Sales

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

Sales of beverages are expressed in unit case volume. A "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings) or concentrate sold that will yield 192 U.S. fluid ounces of finished beverage. Unit case volume of the Company means number of unit cases (or unit case equivalents) of beverages directly or indirectly sold by the Company. Sales of food bars and cereals are expressed in actual cases. A case of food bars and cereals is defined as follows:

- A fruit and grain bar and functional nutrition bar case equals ninety 1.76-ounce bars.
- A natural cereal case equals ten 13-ounce boxes measured by volume.
- An active nutrition bar case equals thirty-two 1.4-ounce bars.

The Company's quarterly results of operations reflect seasonal trends that are primarily the result of increased demand in the warmer months of the year. It has been our experience that beverage sales tend to be lower during the first and fourth quarters of each fiscal year. Because the primary historical market for Hansen's products is California, which has a year-long temperate climate, the effect of seasonal fluctuations on quarterly results may have been mitigated; however, such fluctuations may be more pronounced as the distribution of Hansen's products expands outside of California. The Company has not had sufficient experience with its food bars, cereal products and Hard e malt-based products and consequently has no knowledge of the trends which may occur with such products. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets where temperature fluctuations are more pronounced, the addition of new bottlers and distributors, changes in the mix of the sales of its finished products, soda concentrates and food products and increased advertising and promotional expenses. See also "ITEM 1. BUSINESS - SEASONALITY."

Unit Case Volume / Case Sales (in Thousands)

	2002	2001	2000	1999	1998
Quarter 1	3,597	3,091	2,451	2,287	1,733
Quarter 2	4,977	4,171	3,323	2,817	2,159
Quarter 3	5,146	4,271	3,157	3,148	2,625
Quarter 4	3,885	3,583	2,859	2,645	1,796
Total	17,605	15,116	11,790	10,897	8,313

Net Revenues (in Thousands)

	2002	2001	2000	1999	1998
Quarter 1	$18,592	$16,908	$14,236	$13,836	$10,056
Quarter 2	26,265	22,337	20,702	17,471	12,566
Quarter 3	26,985	23,011	20,434	18,969	14,873
Quarter 4	20,204	18,402	16,334	15,908	11,133
Total	$92,046	$80,658	$71,706	$66,184	$48,628

Inflation

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

ITEM 7a. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

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

At December 31, 2002, the majority of the Company's debt consisted of variable rate debt. The amount of variable rate debt fluctuates during the year based on the Company's cash requirements. If average interest rates were to increase one percent for the year ended December 31, 2002, the net impact on the Company's pre-tax earnings would have been approximately $40,000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be furnished in response to this item is submitted hereinafter following the signature page hereto at pages 49 through 70.

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

Directors of the Company are elected annually by the holders of the common stock and executive officers are elected annually by the Board of Directors, to serve until the next annual meeting of stockholders or the Board of Directors, as the case may be, or until their successors are elected and qualified. It is anticipated that the next annual meeting of stockholders will be held in October or November, 2003.

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 (53) - 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.

Hilton H. Schlosberg (50) - 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 and 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. Vice Chairman, Secretary and a director of HBC from July 1992 to the present.

Benjamin M. Polk (52) - 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. Partner with Winston & Strawn (New York, New York) where Mr. Polk has practiced law with that firm and its predecessors, Whitman Breed Abbott & Morgan LLP and Whitman & Ransom, from August 1976 to the present. (1)

Norman C. Epstein (62) - 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. (63) - Director of the Company since July 1992. Member of the Audit Committee of the Board of Directors since April 2000. President and Chief Executive Officer of HBC from July 1992 to June 1997. Consultant for The Joseph Company from October 1997 to March 1999 and for Costa Macaroni Manufacturing Company from July 2000 to January 2002. Director of Mentoring at Biola University from July 2002 to present.

Mark S. Vidergauz (49) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1998. Member of the Audit Committee of the Board of Directors since April 2000. Managing Director and Chief Executive Officer of Sage Group LLC from April 2000 to present. Managing director at the Los Angeles office of ING Barings LLC, a diversified financial service institution headquartered in the Netherlands from April 1995 to April 2000.

Mark Hall (48) - Senior Vice President, Single-Serve Products joined HBC in 1997. Prior to joining HBC, Mr. Hall spent three years with Arizona Beverages as Vice President of Sales where he was responsible for sales and distribution of Arizona products through a national network of beer distributors and soft drink bottlers.

Kirk Blower (53) - Senior Vice President, Juice and Non-Carbonated Products, of HBC since 1992. Mr. Blower has over 20 years of experience in sales and marketing, primarily with the Coca-Cola organization.

Tim Welch (47) - Senior Vice President, Soda Products, joined HBC in 1999. Mr. Welch has extensive experience in brand management and beverage marketing. Prior to joining HBC, Mr. Welch served as Vice President of Marketing, North America for Signet Armorlite, Inc. where he was responsible for managing new product development, pricing, promotions, point-of-sale, forecasting and developing company strategy.

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

Section 16(a) Beneficial Ownership Reporting Compliance

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

To the Company's knowledge, based solely on review of copies of such reports furnished to the Company during the year ended December 31, 2002, all Section 16(a) filing requirements applicable to the Company's executive officers, directors and greater than ten percent stockholders were complied with, except that Form 5's in respect of option grants required to be filed by each of Rodney C. Sacks and Hilton H. Schlosberg were inadvertently filed late.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information regarding the total remuneration earned and grants of options/ 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, 2002. These amounts reflect total cash compensation paid by the Company and its subsidiaries to these individuals during the years December 31, 2000 through 2002.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			Long Term Compensation (4)
					Awards(5)
Name and Principal Positions	Year	Salary (1)($)	Bonus (2)($)	Other Annual Compensation ($)	Securities underlying Options/SARs (#)(6)
Rodney C. Sacks	2002	225,504	-	10,331(3)	150,000
Chairman, CEO	2001	194,400	8,000	7,314(3)	
and Director	2000	194,400	10,000	6,262(3)	
Hilton H. Schlosberg	2002	225,504	-	7,753(3)	150,000
Vice-Chairman, CFO, COO,	2001	194,400	8,000	7,314(3)	
President, Secretary and Director	2000	194,400	10,000	6,263(3)	
Mark J. Hall	2002	160,000	10,000	7,733(3)	20,000
Senior Vice President	2001	160,000	8,000	7,349(3)	
Single Serve Products	2000	160,000	20,000	8,061(3)	
Kirk S. Blower	2002	118,000	4,000	7,238(3)	12,500
Senior Vice President	2001	115,000	3,000	7,364(3)	
Juice and Non-Carbonated Products	2000	115,000	4,000	7,316(3)	
Timothy M. Welch	2002	115,500	11,300	57,942(7)	
Senior Vice President	2001	111,269	4,000	14,587(8)	
Soda Products	2000	110,000	3,000	14,202(9)	

(1) SALARY - Pursuant to employment agreements, Messrs. Sacks and Schlosberg were entitled to an annual base salary of $226,748, $209,952, and $194,400 for 2002, 2001 and 2000 respectively.

(2) BONUS - Payments made in 2003, 2002 and 2001 are for bonuses accrued in 2002, 2001 and 2000 respectively.

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

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

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

(6) STOCK APPRECIATION RIGHTS - The Company does not have a plan for stock appreciation rights.

(7) Includes $46,483 for reimbursement of moving expense, $6,000 for auto reimbursement expenses, $3,500 for housing expenses and $1,959 for other miscellaneous perquisites.

(8) Includes $6,000 for auto reimbursement expenses, $6,000 for housing expenses and $2,587 for other miscellaneous perquisites.

(9) Includes $6,000 for auto reimbursement expenses, $6,000 for housing expenses and $2,202 for other miscellaneous perquisites.

ALL OTHER COMPENSATION - none paid

OPTION/SAR GRANTS FOR THE YEAR ENDED DECEMBER 31, 2002

	Individual Grants					Potential realizable value at assumed annual rates of stock price appreciate for option term	
Name	Number of Securities underlying Options/SARs granted (#)	Percent of total Options/SARs granted to employees in 2002	Exercise or base price ($/Share)	Expiration Date	5% ($)	10% ($)
Rodney C. Sacks	150,000(1)	28.3%	$3.57	7/12/2012	336,773	853,449
Hilton H. Schlosberg	150,000(1)	28.3%	$3.57	7/12/2012	336,773	853,449
Mark J. Hall	20,000(1)	3.8%	$3.57	7/12/2012	44,903	113,793
Kirk S. Blower	12,500(1)	2.4%	$3.57	7/12/2012	28,064	71,121
Timothy M. Welch	-					

(1) Options to purchase the Company's common stock become exercisable in equal annual increments over 5 years beginning July 12, 2003.

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2002 AND OPTION/SAR VALUES AT DECEMBER 31, 2002

			Number of underlying unexercised options/SARs at December 31, 2002 (#)	Value of unexercised in-the-money December 31, 2002 ($)
Name	Shares acquired on exercise (#)	Value Realized ($)	Exercisable/ Unexercisable	Exercisable/ Unexercisable
Rodney C. Sacks	-	-	137,500/150,000(1)	98,625/97,500
Hilton H. Schlosberg	-	-	137,500/150,000(1)	98,625/97,500
Mark J. Hall	-	-	116,000/20,000(2)	355,960/13,000
Kirk S. Blower	-	-	7,500/17,500(3)	0/8,125
Timothy M. Welch	-	-	36,000/36,000(4)	0/0

(1) Includes options to purchase 37,500 shares of common stock at $1.59 per share of which all are exercisable at December 31, 2002, granted pursuant to Stock Option Agreements dated January 30, 1998 between the Company and Messrs. Sacks and Schlosberg, respectively; options to purchase 100,000 shares of common stock at $4.25 per share which are exercisable at December 31, 2002, granted pursuant to Stock Option Agreements dated February 2, 1999 between the Company and Messrs. Sacks and Schlosberg, respectively; and options to purchase 150,000 shares of common stock at $3.57 per share of which none are exercisable at December 31, 2002, granted pursuant to Stock Option Agreements dated July 12, 2002 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 which are exercisable at December 31, 2002, 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 which are exercisable at December 31, 2002, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Hall; options to purchase 20,000 shares of common stock at $3.57 per share of which none are exercisable at December 31, 2002, granted pursuant to a Stock Option Agreement dated July 12, 2002 between the Company and Mr. Hall. On January 21, 2003, Mr. Hall exercised the options in respect of (i) 96,000 shares at an exercise price of $1.06 per share and (ii) 20,000 shares at an exercise price of $1.59 per share.

(3) Includes options to purchase 12,500 shares of common stock at $4.25 per share of which 7,500 are exercisable at December 31, 2002, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Blower; and options to purchase 12,500 shares of common stock at $3.57 per share of which none are exercisable at December 31, 2002, granted pursuant to a Stock Option Agreement dated July 12, 2002 between the Company and Mr. Blower.

(4) Includes options to purchase 72,000 shares of common stock at $4.44 per share of which 36,000 are exercisable at December 31, 2002, granted pursuant to a Stock Option Agreement dated February 1, 1999 between the Company and Mr. Welch.

Performance Graph

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

TOTAL SHAREHOLDER RETURNS

ANNUAL RETURN PERCENTAGES

For the years ended December 31,

Company Name/Index	1998	1999	2000	2001	2002
HANSEN NAT CORP	196.63	(19.77)	(10.14)	8.39	0.50
S&P SMALLCAP 600 INDEX	(1.31)	12.40	11.80	6.54	(14.63)
PEER GROUP	(43.18)	8.47	17.06	47.07	14.40

INDEXED RETURNS

For the years ended December 31,

Company Name/Index	Base Period 1997	1998	1999	2000	2001	2002
HANSEN NAT CORP	100	296.63	238.00	213.85	231.79	232.95
S&P SMALLCAP 600 INDEX	100	98.69	110.94	124.03	132.13	112.80
PEER GROUP	100	56.82	61.63	72.15	106.10	121.38

(1) Annual return assumes reinvestment of dividends. Cumulative total return assumes an initial investment of $100 on December 31, 1997. The Company's self-selected peer group is comprised of National Beverage Corporation, Clearly Canadian Beverage Company, Triarc Companies, Inc., Leading Brands, Inc., Cott Corporation, Northland Cranberries and Jones Soda Co. All of the companies in the peer group traded during the entire five-year period with the exception of Triarc Companies, Inc., which sold their beverage business in October 2000 and Jones Soda Co., which started trading in August 2000.

Employment Agreements

The Company entered into an employment agreement dated as of January 1, 1999, with Rodney C. Sacks pursuant to which Mr. Sacks renders services to the Company as its Chairman and Chief Executive Officer for an annual base salary of $226,748 for 2002 and $244,888 for 2003, plus an annual bonus in an amount determined at the discretion of the Board of Directors and certain fringe benefits. The employment period commenced on January 1, 1999 and ends on December 31, 2003.

The Company also entered into an employment agreement dated as of January 1, 1999, with Hilton H. Schlosberg pursuant to which Mr. Schlosberg renders services to the Company as its Vice Chairman, President, Chief Operating Officer, Chief Financial Officer and Secretary for an annual base salary of $226,748 for 2002 and $244,888 for 2003, 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 preceding descriptions of the employment agreements for Messrs. Sacks and Schlosberg are qualified in their entirety by reference to such agreements, which have been filed or incorporated, by reference as exhibits to this report.

Directors' Compensation

The Company pays outside directors annual fees of $7,000 plus $500 for each meeting attended of the Board of Directors or any committee thereof. In 2002, we paid each of Norman E. Epstein, Harold C. Taber, Jr. and Mark S. Vidergauz $8,000 and we paid Benjamin M. Polk $7,500 for services provided for the one-year period ended December 31, 2001. In 2003, we paid each of Norman E. Epstein, Benjamin M. Polk, Harold C. Taber, Jr. and Mark S. Vidergauz director's fees of $8,000 for services provided for the one-year period ended December 31, 2002. Commencing in 2003, the Company will pay outside directors an annual fee of $10,000 plus $1,000 for each meeting of the Board of Directors attended. Additionally, the Company will pay outside directors $500 for each committee meeting attended in person and $250 for each meeting attended by telephone.

Employee Stock Option Plan

The Company has a stock option plan (the "Plan") that provided for the grant of options to purchase up to 3,000,000 shares of the common stock of the Company to certain key employees of the Company and its subsidiaries. Options granted under the Plan may either be incentive stock options qualified under Section 422 of the Internal Revenue Code of 1986, as amended, or non-qualified options. Such options are exercisable at fair market value on the date of grant for a period of up to ten years. Under the Plan, shares subject to options may be purchased for cash, or for shares of common stock valued at fair market value on the date of purchase. Under the Plan, no additional options may be granted after July 1, 2001.

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

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

Outside Directors Stock Option Plan

The Company has an option plan for its outside directors (the "Directors Plan") that provides for the grant of options to purchase up to an aggregate of 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company pursuant to a contractual arrangement. On the date of the annual meeting of stockholders at which an eligible director is initially elected, each eligible director is entitled to receive a one-time grant of an option to purchase 6,000 shares (12,000 shares if the director is

serving on a committee of the Board) of the Company's Common Stock exercisable at the closing price for a share of common stock on the date of grant. Options become exercisable one-third each on the first, second and third anniversary of the date of grant; provided 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

The disclosure set forth in Item 5 of this report is incorporated herein.

(a) The following table sets forth information, as of March 3, 2003, in respect 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 Owner	Percent of Class
Common Stock	Brandon Limited Partnership No. 1 (1)	654,822	5.8%
	Brandon Limited Partnership No. 2 (2)	2,831,667	25.3%
	Rodney C. Sacks (3)	4,011,489 (4)	35.8%
	Hilton H. Schlosberg (5)	3,972,586 (6)	35.4%
	Kevin Douglas, Douglas Family Trust and James Douglas and Jean Douglas Irrevocable Descendants' Trust (7)	730,011 (8)	6.3%

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

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

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

(4) Includes 387,500 shares of common stock owned by Mr. Sacks; 654,822 shares beneficially held by Brandon No. 1 because Mr. Sacks is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Sacks is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at $1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998; and options presently exercisable to purchase 100,000 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 137,500 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, a limited partnership of which Mr. Sacks is the general partner and his children and he are the limited partners, 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, a limited partnership of which Mr. Sacks is the general partner and his children and he are the limited partners, and a trust for the benefit of his children.

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

(6) Includes 348,597 shares of common stock owned by Mr. Schlosberg, of which 2,000 shares are jointly owned by Mr. Schlosberg and his wife, 654,822 shares beneficially held by Brandon No. 1 because Mr. Schlosberg is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Schlosberg is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at $1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Schlosberg; and options presently exercisable to purchase 100,000 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 137,500 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.

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

(8) Includes 274,782 shares of common stock owned by Kevin Douglas; 226,909 shares of common stock owned by James Douglas and Jean Douglas Irrevocable Descendants' Trust; and 228,320 shares of common stock owned by Douglas Family Trust. Kevin Douglas, Douglas Family Trust and James Douglas and Jean Douglas Irrevocable Descendants' Trust are deemed members of a group that shares voting and dispositive power over the shares.

(b) The following table sets forth information as to the beneficial ownership of shares of common stock, as of March 3, 2003, held by persons who are directors and executive officers 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	4,011,489 (1)	35.8%
	Hilton H. Schlosberg	3,972,586 (2)	35.4%
	Mark J. Hall	68,000	*%
	Kirk S. Blower	32,009 (3)	*%
	Timothy M. Welch	48,000 (4)	*%
	Harold C. Taber, Jr.	97,118 (5)	*%
	Mark S. Vidergauz	12,000 (6)	*%
	Benjamin M. Polk	-	-
	Norman C. Epstein	-	-

Executive Officers and Directors as a group (9 members: 4,754,714 shares or 42.4% 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 100,000 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 137,500 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, a limited partnership of which Mr. Sacks is the general partner and his children and he are the limited partners, 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, a limited partnership of which Mr. Sacks is the general partner and his children and he are the limited partners, 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 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 100,000 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 137,500 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 22,009 shares of common stock owned by Mr. Blower and options presently exercisable to purchase 10,000 shares of common stock exercisable at $4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Blower.

(4) Includes options presently exercisable to purchase 48,000 shares of common stock exercisable at $4.44 per share, granted pursuant to a Stock Option Agreement dated as of February 1, 1999 between the Company and Mr. Welch.

(5) Includes 61,137 shares of common stock owned by Mr. Taber; and 35,981.7 shares of common stock owned by the Taber Family Trust of which Mr. Taber and his wife are trustees.

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

During 2002, 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 2002, 2001 and 2000 were $164,199, $164,638 and $115,520, respectively. The Company continues to purchase promotional items from IFM Group, Inc. in 2003.

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

ITEM 14. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days prior to the filing date of this annual report. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and our consolidated subsidiaries is made known to them by others within those entities, particularly during the period in which this annual report was prepared. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

ITEM 15. 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

(b) Financial Statement Schedule

(c) Reports on From 8-K
None

SIGNATURES

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

HANSEN NATURAL CORPORATION

/s/ RODNEY C. SACKS - -------------------	Rodney C. Sacks Chairman of the Board	Date: March 31, 2003

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 31, 2003
/s/ HILTON H. SCHLOSBERG - ------------------------- Hilton H. Schlosberg	Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer and Secretary (principal financial officer, controller and principal accounting officer)	March 31, 2003
/s/ BENJAMIN M. POLK - ------------------------- Benjamin M. Polk	Director	March 31, 2003
/s/ NORMAN C. EPSTEIN - ------------------------- Norman C. Epstein	Director	March 31, 2003
/s/ HAROLD C. TABER, JR. - ------------------------- Harold C. Taber, Jr.	Director	March 31, 2003
/s/ MARK S. VIDERGAUZ - ------------------------- Mark S. Vidergauz	Director	March 31, 2003

CERTIFICATIONS PURSUANT TO RULE 13a-14
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Rodney Sacks, certify that:

1. I have reviewed this annual report on Form 10-K of Hansen Natural Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-4) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors and material weaknesses in internal controls; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls of in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ RODNEY C. SACKS

Rodney C. Sacks
Chairman of the Board of Directors
and Chief Executive Officer

I, Hilton Schlosberg, certify that:

1. I have reviewed this annual report on Form 10-K of Hansen Natural Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-4) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors and material weaknesses in internal controls; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls of in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ HILTON H. SCHLOSBERG

Hilton H. Schlosberg
Vice Chairman of the Board of Directors,
President, Chief Operating Officer, Chief
Financial Officer and Secretary

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

In connection with the annual report of Hansen Natural Corporation (the "Company") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Rodney C. Sacks, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Hilton H. Schlosberg, Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2003

/s/ RODNEY C. SACKS

Rodney C. Sacks
Chairman of the Board of Directors
and Chief Executive Officer

Date: March 31, 2003

/s/ HILTON H. SCHLOSBERG

Hilton H. Schlosberg
Vice Chairman of the Board of Directors,
President, Chief Operating Officer, Chief
Financial Officer and Secretary

INDEX TO EXHIBITS

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

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

10(dd)	Non-Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
10(ee)	Agreement of Trust dated July 27, 1992 by and among FJC and Hansen and Gary Hansen, Anthony Kane and Burton S. Rosky. 8
10(ff)	Carbonated Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
10(gg)	Royalty Sharing Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
10(hh)	Fresh Juices License Agreement dated as of July 27, 1992 by and between Hansen and the Trust. 8
10(ii)	Incentive Stock Option Agreement dated July 27, 1992 by and between Unipac and Taber at the option price of $2.00 per share. 2
10(jj)	Co-Packing Agreement dated November 24, 1992 by and between Tropicana Products Sales, Inc. and Hansen. 4
10(kk)	Office Lease, dated December 16, 1992 by and between Lest C. Smull as Trustee, and his Successors under Declaration of Trust for the Smull family, dated December 7, 1984, and Hansen. 5
10(ll)	Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Rodney C. Sacks. 5
10(mm)	Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Hilton H. Schlosberg. 5
10(nn)	Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Benjamin M. Polk. 7
10(oo)	Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Norman C. Epstein. 7
10(pp)	Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Hilton H. Schlosberg. 6
10(qq)	Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Rodney C. Sacks. 6
10(rr)	Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Rodney C. Sacks. 8
10(ss)	Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Hilton H. Schlosberg. 8
10(tt)	Stock Option Agreement dated as of June 30, 1995 between Hansen Natural Corporation and Harold C. Taber, Jr. 8
10(uu)	Standard Industrial Lease Agreement dated as of April 25, 1997 between Hansen Beverage Company and 27 Railroad Partnership L.P. 9
10(vv)	Sublease Agreement dated as of April 25, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 9
10(ww)	Packaging Agreement dated April 14, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 10
10(xx)	Revolving Credit Loan and Security Agreement dated May 15, 1997 between Comerica Bank - California and Hansen Beverage Company. 10
10(yy)	Severance and Consulting Agreement dated as of June 20, 1997 by and among Hansen Beverage Company, Hansen Natural Corporation and Harold C. Taber, Jr. 10
10(zz)	Stock Option Agreement dated as of June 20, 1997 by and between Hansen Natural Corporation and Harold C. Taber, Jr. 10
10 (aaa)	Variable Rate Installment Note dated October 14, 1997 between Comerica Bank - California and Hansen Beverage Company. 10
10 (bbb)	Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Rodney C. Sacks.11
10 (ccc)	Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Hilton S. Schlosberg.11
10 (ddd)	Warrant Agreement made as of April 23, 1998 by and between Hansen Natural Corporation and Rick Dees.12

10 (eee)	Modification to Revolving Credit Loan and Security Agreement as of December 31, 1998 by and between Hansen Beverage Company and Comerica Bank - California.13
10 (fff)	Employment Agreement as of January 1, 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. (A version of this agreement containing a typographical error was previously filed as an Exhibit to Form 10-k for the year ended December 31, 1998.
10 (iii)	Stock Option Agreement dated as of February 2, 1999 by and between Hansen Natural Corporation and Hilton S. Schlosberg. (A version of this agreement containing a typographical error was previously filed as an Exhibit to Form 10-k for the year ended December 31, 1998.
10 (jjj)	Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Rodney C. Sacks.14
10 (kkk)	Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Hilton H. Schlosberg.14
10 (lll)	Assignment and Agreement dated as of September 22, 2000 by the Fresh Juice Company of California, Inc. and Hansen Beverage Company. 15
10 (mmm)	Settlement Agreement dated as of September 2000 by and between and among Rodney C. Sacks, as sole Trustee of The Hansen's Trust and Hansen Beverage Company The Fresh Juice Company of California, Inc. 15
10 (nnn)	Trademark Assignment dated as of September 24, 2000 by and between The Fresh Juice Company of California, Inc. (Assignor) and Rodney C. Sacks as sole Trustee of The Hansen's Trust (Assignee). 15
10 (ooo)	Settlement Agreement dated as of September 3, 2000 by and between The Fresh Juice Company of California, Inc., The Fresh Smoothie Company, LLC, Barry Lublin, Hansen's Juice Creations, LLC, Harvey Laderman and Hansen Beverage Company and Rodney C. Sacks, as Trustee of The Hansen's Trust. 15
10 (ppp)	Royalty Agreement dated as of April 26, 1996 by and between Hansen's Juices, Inc. and Hansen's Juice Creations, Limited Liability Company. 15
10 (qqq)	Royalty Agreement dated as of April 26, 2000 by and between Gary Hansen, Anthony Kane and Burton S. Rosky, as trustees of Hansen's Trust and Hansen's Juice Creations, a limited liability company. 15
10 (rrr)	Letter Agreement dated May 14, 1996. 15
10 (sss)	Amendment to Royalty Agreement as of May 9, 1997 by and between The Fresh Juice Company of California and Hansen's Juice Creations, Limited Liability Company. 15
10 (ttt)	Assignment of License Agreements dated as of February 2000 by Hansen's Juice Creations, LLC (Assignor) to Fresh Smoothie, LLC (Assignee). 15
10 (uuu)	Amendment to Revolving Credit Loan and Security Agreement between Comerica Bank - California and Hansen Beverage Company dated March 28, 2000. 16
10 (vvv)	Endorsement and Spokesman Arrangement dated as of February 18, 2000 by and between Hansen Beverage Company and Sammy Sosa. 16
10 (www)	Standard Industrial Lease Agreement dated as of February 23, 2000 between Hansen Beverage Company and 43 Railroad Partnership L.P. 16
10 (xxx)	Amended and Restated Variable Rate Installment Note by and between Comerica Bank - California and Hansen Beverage Company. 17
10 (yyy)	Sixth Modification to Revolving Credit Loan & Security Agreement by and between Hansen Beverage Company and Comerica Bank - California, dated May 23, 2000. 18
10 (zzz)	Contract Brewing agreement by and between Hard e Beverage Company and Reflo, Inc. dated March 23, 2000. 18
10.1	Modification dated as of September 19, 2000, to Revolving Credit Loan and Security Agreement by and between Hansen Beverage Company and Comerica Bank California. 19

10.2	Asset Purchase Agreement among Hansen Junior Juice Company, as Purchaser and Pasco Juices, Inc. as Seller and Hansen Beverage Company dated as of May 25, 2001.21
10.3	Letter Agreement by and between Hansen Beverage Company and Hi-Country Corona, Inc. dated July 28, 2000.
10.4	Packing Agreement Between Hansen Beverage Company and U.S. Continental Marketing, Inc. dated August 14, 2000.
10.5	Packaging Material Supply Agreement by and between Hansen Beverage Company and International Paper Company dated November 30, 2000; First Addendum to the Packaging Material Supply Agreement dated September 26, 2001; Second Addendum to the Packaging Material Supply Agreement dated February 19, 2002.
10.6	Aseptic Packaging Agreement by and between Hansen Beverage Company and Johanna Foods dated December 7, 2000.
10.7	Standard Industrial Lease Agreement dated as of July 25, 2002 between Hansen Beverage Company and 555 South Promenade Partnership L.P. with addendum dated January 21, 2003.
10.8	Letter Agreement by and between Hansen Beverage Company and McKinley Equipment Corporation dated January 16, 2003.
10.9	Advertising Display Agreement dated as of March 17, 2003 by and between Hansen Beverage Company and the Las Vegas Monorail Company.
10.10	Sponsorship Agreement dated as of March 7, 2003 by and between Hansen Beverage Company and C.C.R.L., LLC.
10.11	Public Relations Agreement dated as of March 18, 2003 by and between Hansen Beverage Company and Reach Group Communications, LLC.
10.12	Stock Option Agreement dated as of February 1, 1999 by and between Hansen Natural Corporation and Timothy M. Welch.
10.13	Stock Option Agreement dated as of February 2, 1999 by and between Hansen Natural Corporation and Kirk S. Blower.
10.14	Stock Option Agreement dated as of July 12, 2002 by and between Hansen Natural Corporation and Rodney C. Sacks
10.15	Stock Option Agreement dated as of July 12, 2002 by and between Hansen Natural Corporation and Hilton H. Schlosberg
10.16	Stock Option Agreement dated as of July 12, 2002 by and between Hansen Natural Corporation and Mark J. Hall
10.17	Stock Option Agreement dated as of July 12, 2002 by and between Hansen Natural Corporation and Kirk S. Blower
21	Subsidiaries 5
23	Independent Auditors' Consent
99.1	Audited Financial Statements of Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNB-NM") for 1999 and 1998. 20
99.2	Unaudited Balance Sheet at September 30, 2000 for BSNB-NM and Unaudited Statement of Operations for the nine-months then ended. 20

1 Filed previously as an exhibit to the Registration Statement on Form S-3 (no. 33-35796) (the "Registration Statement").

2 Filed previously as an exhibit to the Company's proxy statement dated October 21, 1992.

3 Filed previously as an exhibit to Form 8-K dated July 27, 1992.

4 Filed previously as an exhibit to Post-Effective Amendment No. 8 to the Registration Statement.

5 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1992.

6 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1993.

7 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1994.

8 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1995.

9 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1997.

10 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1997.

11 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 1998.

12 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1998.

13 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1998.

14 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1999.

15 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1999.

16 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1999.

17 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 2000.

18 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 2000.

19 Filed previously as an exhibit to Form 8-K dated September 20, 2000.

20 Filed previously as an exhibit to Form 8-K/A dated September 20, 2000.

21 Filed previously as an exhibit to Form 10-K for the year ended December 31, 2001.

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Hansen Natural Corporation and subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2002, 2001, and 2000. Our audits also included the financial statement schedule listed in Item 15(b). These consolidated financial statements and this financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and this financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hansen Natural Corporation and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for the years ended December 31, 2002, 2001, and 2000 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 basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets as a result of adopting Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", effective January 1, 2002. As also discussed in Note 1, effective January 1, 2002, the Company adopted the consensus in Emerging Issues Task Force Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of a Vendor's Products)" (EITF 01-09), resulting in the presentation of certain sales promotion expenses and customer allowances as a reduction of net sales and increase of cost of sales rather than operating expenses. The consolidated financial statements for the years ended December 31, 2001 and 2000 have been revised to reclassify such expenses and allowances as a reduction of net sales and increase of cost of sales consistent with the 2002 presentation, in accordance with EITF 01-09.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
March 13, 2003

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 537,920	$ 247,657
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of $1,098,645 in 2002 and $625,270 in 2001 and promotional allowances of $3,170,171 in 2002 and $2,981,556 in 2001	5,949,402	4,412,422
Inventories, net (Note 3)	11,643,734	11,956,680
Prepaid expenses and other current assets	1,627,685	974,155
Deferred income tax asset (Note 7)	1,145,133	949,176
Total current assets	20,903,874	18,540,090
PROPERTY AND EQUIPMENT, net (Note 4)	1,862,807	1,945,146
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of $84,330 in 2002 and $29,772 in 2001) (Note 1)	17,360,455	17,350,221
Deposits and other assets	336,369	725,825
	17,696,824	18,076,046
	$ 40,463,505	$ 38,561,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable	$ 4,732,261	$ 3,919,741
Accrued liabilities	680,959	871,841
Accrued compensation	310,064	432,896
Current portion of long-term debt (Note 5)	230,740	337,872
Total current liabilities	5,954,024	5,562,350
LONG-TERM DEBT, less current portion (Note 5)	3,606,040	5,851,105
DEFERRED INCOME TAX LIABILITY (Note 7)	2,532,697	1,814,278
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY: (Note 8)		
Common stock - $0.005 par value; 30,000,000 shares authorized; 10,259,764 shares issued, 10,053,003 outstanding in 2002; 10,251,764 shares issued, 10,045,003 outstanding in 2001	51,299	51,259
Additional paid-in capital	11,934,564	11,926,604
Retained earnings	17,199,426	14,170,231
Common stock in treasury, at cost; 206,761 in 2002 and 2001	(814,545)	(814,545)
Total shareholders' equity	28,370,744	25,333,549
	$ 40,463,505	$ 38,561,282

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
GROSS SALES	$ 115,490,019	$ 99,693,390	$ 86,072,318
LESS: Discounts, allowances and promotional payments	23,443,657	19,035,073	14,366,333
NET SALES	92,046,362	80,658,317	71,705,985
COST OF SALES	58,802,669	51,796,539	42,780,067
GROSS PROFIT	33,243,693	28,861,778	28,925,918
OPERATING EXPENSES:			
Selling, general and administrative	27,896,202	22,803,433	21,654,495
Amortization of trademark license and trademarks	54,558	507,488	371,073
Total operating expenses	27,950,760	23,310,921	22,025,568
OPERATING INCOME	5,292,933	5,550,857	6,900,350
NONOPERATING EXPENSE (INCOME):			
Interest and financing expense	230,732	527,594	382,152
Interest income	(2,974)	(8,992)	(12,914)
Net nonoperating expense	227,758	518,602	369,238
INCOME BEFORE PROVISION FOR INCOME TAXES	5,065,175	5,032,255	6,531,112
PROVISION FOR INCOME TAXES (Note 7)	2,035,980	2,012,902	2,615,986
NET INCOME	$ 3,029,195	$ 3,019,353	$ 3,915,126
NET INCOME PER COMMON SHARE:			
Basic	$ 0.30	$ 0.30	$ 0.39
Diluted	$ 0.29	$ 0.29	$ 0.38
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:			
Basic	10,052,499	10,036,547	9,957,743
Diluted	10,339,604	10,314,904	10,405,703

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	Common stock		Additional paid-in	Retained	Treasury stock		Total shareholders'
	Shares	Amount	capital	earnings	Shares	Amount	equity
Balance, January 1, 2000	10,010,084	$ 50,050	$ 11,340,074	$ 7,235,752	-	$ -	$ 18,625,876
Issuance of common stock	138,798	694	255,945				256,639
Purchase of treasury stock					(206,761)	(814,545)	(814,545)
Reduction of tax liability in connection with the exercise of certain stock options			71,600				71,600
Net income				3,915,126			3,915,126
Balance, December 31, 2000	10,148,882	50,744	11,667,619	11,150,878	(206,761)	(814,545)	22,054,696
Issuance of common stock	102,882	515	258,985				259,500
Net income				3,019,353			3,019,353
Balance, December 31, 2001	10,251,764	51,259	11,926,604	14,170,231	(206,761)	(814,545)	25,333,549
Issuance of common stock	8,000	40	7,960				8,000
Net income				3,029,195			3,029,195
Balance, December 31, 2002	10,259,764	$ 51,299	$ 11,934,564	$ 17,199,426	(206,761)	$ (814,545)	$ 28,370,744

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,029,195	$ 3,019,353	$ 3,915,126
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of trademark license and trademarks	54,558	507,488	371,073
Depreciation and other amortization	493,894	436,459	314,662
Loss (gain) on disposal of plant and equipment	5,318	(15,072)	52,786
Compensation expense related to the exercise of stock options		230,879	
Deferred income taxes	522,462	472,581	(89,386)
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	(1,536,980)	2,384,892	(3,046,056)
Inventories	312,946	(1,048,785)	(1,013,481)
Prepaid expenses and other current assets	(35,704)	(150,768)	(269,698)
Accounts payable	812,520	24,957	(2,042,089)
Accrued liabilities	(190,882)	67,721	261,649
Accrued compensation	(122,832)	151,267	(180,656)
Income taxes payable/receivable	(617,826)	(878,266)	603,230
Net cash provided by (used in) operating activities	2,726,669	5,202,706	(1,122,840)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(416,873)	(529,905)	(1,191,762)
Proceeds from sale of property and equipment		26,416	12,433
Increase in trademark license and trademarks	(64,792)	(118,651)	(6,490,494)
Increase in deposits and other assets	389,456	(60,094)	(181,343)
Net cash used in investing activities	(92,209)	(682,234)	(7,851,166)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on long-term debt			9,204,471
Principal payments on long-term debt	(2,352,197)	(4,432,101)	(1,551,049)
Issuance of common stock	8,000	28,621	256,639
Purchases of common stock, held in treasury			(814,545)
Net cash (used in) provided by financing activities	(2,344,197)	(4,403,480)	7,095,516
NET INCREASE (DECREASE) IN CASH	290,263	116,992	(1,878,490)
CASH AND CASH EQUIVALENTS, beginning of year	247,657	130,665	2,009,155
CASH AND CASH EQUIVALENTS, end of year	$ 537,920	$ 247,657	$ 130,665
SUPPLEMENTAL INFORMATION			
Cash paid during the year for:			
Interest	$ 235,779	$ 573,029	$ 315,876
Income taxes	$ 2,131,344	$ 2,445,957	$ 2,067,337

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

NONCASH TRANSACTIONS:

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

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

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

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hansen Natural Corporation (the "Company" or "Hansen") was incorporated in Delaware on April 25, 1990. The Company is a holding company and carries on no operating business except through its direct wholly-owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and Hard e Beverage Company ("HEB") formerly known as Hard Energy Company, and previously known as CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. HBC conducts the vast majority of the Company's operating business and generates substantially all of the Company's operating revenues. References herein to "Hansen" or the "Company" when used to describe the operating business of the Company are references to the business of HBC unless otherwise indicated, and references herein to HEB when used to describe the operating business of HEB, are references to the Hard e brand business of HEB unless otherwise indicated.

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

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

Nature of Operations - Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice and soy Smoothies, Energy drinks, Energade energy sports drinks, E2O energy water, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, sparkling lemonades and orangeades, children's multi-vitamin juice products and still water under the Hansen's(R) brand name, as well as nutrition bars and cereals also under the Hansen's(R) brand name, natural sodas under the Blue Sky(R) brand name, juices under the Junior Juice(R) brand name and malt based drinks under the Hard e brand name, primarily in certain Western states, as well as in other states and, on a limited basis, in other countries outside the United States.

Basis of Presentation - The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

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

Reclassifications - Certain reclassifications have been made in the consolidated financial statements to conform to the 2002 presentation.

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

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

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

Trademark License and Trademarks - Trademark license and trademarks represents the Company's exclusive ownership of the Hansen's(R) trademark in connection with the manufacture, sale and distribution of beverages and water and non-beverage products. The Company also owns in its own right, a number of other trademarks in the United States as well as in a number of countries around the world. The Company also owns the Blue Sky(R) trademark, which was acquired in September 2000, and the Junior Juice(R) trademark, which was acquired in May 2001 (Note 2). The Company amortizes its trademark license and trademarks over 1 to 40 years. The adoption of SFAS No. 142, as described below, resulted in the elimination of amortization of indefinite life assets, which reduced the trademark amortization expense recognized by the Company in 2002.

Long-Lived Assets- Management regularly reviews property and equipment and other long-lived assets, including certain identifiable intangibles, for possible impairment. This review occurs annually, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is indication of impairment of property and equipment or amortizable intangible assets, then management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated at the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Annually, or earlier, if there is indication of impairment of identified intangible assets not subject to amortization, management compares the estimated fair value with the carrying amount of the asset. An impairment loss is recognized to write down the intangible asset to its fair value if it is less than the carrying amount. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. No impairments were identified as of December 31, 2002.

Revenue Recognition - The Company records revenue at the time the related products are shipped and the risk of ownership has passed. Management believes an adequate provision against net sales has been made for estimated returns, allowances and cash discounts based on the Company's historical experience.

Freight Costs and Reimbursement of Freight Costs - In accordance with Emerging Issues Task Force ("EITF") No. 00-10, Accounting for Shipping and Handling Fees and Costs, reimbursements of freight charges are recorded in net sales in the accompanying consolidated statements of income. For the years ended December 31, 2002, 2001, and 2000, freight-out costs amounted to $5.8 million, $4.2 million, and $4.1 million, respectively, and have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income.

Advertising and Promotional Allowances - The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. Advertising expenses included in selling, general and administrative expenses amounted to $7.3 million, $4.3 million, and $5.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, the Company supports its customers, including distributors, with promotional allowances, a portion of which is utilized for marketing and indirect advertising by them. Such promotional allowances amounted to $13.5 million, $12.2 million, and $8.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Change in Accounting for Promotional Allowances - Prior to 2002, the Company included its promotional allowances in selling, general and administrative expenses. Effective the first quarter of 2002, the Company

adopted the consensus of the Financial Accounting Standards Board's ("FASB") EITF No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products, which addresses various issues related to the income statement classification of certain promotional payments, including consideration from a vendor to a reseller or another party that purchases the vendor's products. EITF No. 01-9 was issued in November 2001 and codified earlier pronouncements. The consensus requires certain sales promotions and customer allowances previously classified as selling, general and administrative expenses to be classified as a reduction of net sales or as cost of goods sold. The Company adopted EITF No. 01-9 on January 1, 2002. The effect of the change in accounting related to the adoption of EITF No. 01-9 for the year ended December 31, 2002 was to decrease net sales by $14,846,875, increase cost of goods sold by $220,394 and decrease selling, general and administrative expenses by $15,067,269. The consolidated financial statements for the years ended December 31, 2001 and 2000 have been revised to reclassify such expenses and allowances as a reduction of net sales and increase of cost of sales in accordance with EITF 01-9. For the year ended December 31, 2001, $11,621,396 has been reclassified as a reduction to net sales and $341,332 as an increase in cost of sales, both of which were previously reported as selling, general and administrative expense. For the year ended December 31, 2000, $8,026,724 has been reclassified as a reduction of net sales and $133,390 as an increase in cost of sales, both of which were previously reported as selling, general and administrative expense.

Income Taxes - The Company accounts for income taxes under the provisions 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.

Stock Based Compensation - The Company accounts for its stock option plans in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, (APB Opinion No. 25) and related Interpretations. Under APB Opinion No. 25, no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock at the date of the grant. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-based Compensation, (SFAS No. 123) and is effective immediately upon issuance. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation as well as amending the disclosure requirements of Statement No. 123 to require interim and annual disclosures about the method of accounting for stock based compensation and the effect of the method used on reported results. The Company follows the requirements of APB Opinion No. 25 and the disclosure only provision of SFAS No. 123, as amended by SFAS No. 148. 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 2000 through 2002 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:

	2002	2001	2000
Net income, as reported	$3,029,195	$3,019,353	$3,915,126
Less: total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	356,914	336,376	281,278
Net income, pro forma	$2,672,281	$2,682,977	$3,633,848
Net income per common share, as reported			
Basic	$ 0.30	$ 0.30	$ 0.39
Diluted	$ 0.29	$ 0.29	$ 0.38
Net income per common share, pro forma			
Basic	$ 0.27	$ 0.27	$ 0.36
Diluted	$ 0.26	$ 0.26	$ 0.35

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

	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Lives
2002	0%	8%	4.6%	8 years
2001	0%	30%	4.6%	6 years
2000	0%	48%	6.0%	6 years

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

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

One customer accounted for approximately 18%, 18%, and 23% of the Company's sales for the years ended December 31, 2002, 2001 and 2000, respectively. A decision by that, or any other major customer, to decrease the amount purchased from the Company or to cease carrying the Company's products could have a material adverse effect on the Company's financial condition and consolidated results of operations.

During 2002, 2001 and 2000, sales outside of California represented 42%, 39% and 37% of the aggregate sales of the Company, respectively.

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 estimated credit losses, and historically, such losses have been within management's expectations.

Fair Value of Financial Instruments - SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. At December 31, 2002, 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, 2002 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.

Segment Information - The Company's operating segments have been aggregated into one reportable segment due to similarities of the economic characteristics and nature of operations among the operations represented by the Company's various product lines.

Change in Accounting for Goodwill and Other Intangible Assets - Effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. This statement discontinued the amortization of goodwill and indefinite-lived intangible assets, subject to periodic impairment testing. Upon adoption of SFAS No. 142, the Company evaluated the useful lives of its various trademark licenses and trademarks and concluded that certain of the trademark licenses and trademarks have indefinite lives. Unamortized trademark licenses and trademarks ceased to be amortized effective January 1, 2002 and are subject to annual impairment analysis. Had the non-amortization provision of SFAS No. 142 been adopted as of January 1, 2000, net income and net income per share for the years ended December 31, 2002, 2001, and 2000 would have been adjusted as follows:

	For the years ended December 31,		
	2002	2001	2000
Net income, as reported	$3,029,195	$3,019,353	$3,915,126
Add back: Amortization of trademark licenses and trademarks (net of tax effect)	-	292,241	211,716
Adjusted net income	$3,029,195	$3,311,594	$4,126,842
Net income per common share - basic, as reported	$ 0.30	$ 0.30	$ 0.39
Amortization of trademark licenses and trademarks (net of tax effect)	-	0.03	0.02
Adjusted net income per common share - basic	$ 0.30	$ 0.33	$ 0.41
Net income per common share - diluted, as reported	$ 0.29	$ 0.29	$ 0.38
Amortization of trademark licenses and trademarks (net of tax effect)	-	0.03	0.02
Adjusted net income per common share - diluted	$ 0.29	$ 0.32	$ 0.40

On January 1, 2002 and December 31, 2002, the trademark licenses and trademarks were tested for impairment in accordance with the provisions of SFAS

No. 142. Fair values were estimated based on the Company's best estimate of the expected present value of future cash flows. No amounts were impaired at those times. In addition, the remaining useful lives of trademark licenses and trademarks being amortized were reviewed and deemed to be appropriate. The following provides additional information concerning the Company's trademark licenses and trademarks as of December 31:

	2002	2001
Amortizing trademark licenses and trademarks	$ 1,138,902	$ 1,113,882
Accumulated amortization	(84,330)	(38,075)
	1,054,572	1,075,807
Non-amortizing trademark licenses and trademarks	16,305,883	16,274,414
	$ 17,360,455	$ 17,350,221

All amortizing trademark licenses and trademarks have been assigned an estimated finite useful life, and are amortized on a straight-line basis over the number of years that approximate their respective useful lives ranging from 1 to 40 years (weighted average life of 30 years). The straight-line method of amortization allocates the cost of the trademark licenses and trademarks to earnings in proportion to the amount of economic benefits obtained by the Company in that report period. Total amortization expense during the year ended December 31, 2002 was $54,558. As of December 31, 2002, future estimated amortization expense related to amortizing trademark licenses and trademarks through the year ended December 31, 2008 is:

2003	$41,330
2004	38,105
2005	38,105
2006	37,990
2007	32,745

Effective January 1, 2002, the Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, effective for fiscal years beginning after December 15, 2001. The new rules on asset impairment supersede FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and provide a single accounting model for long-lived assets to be disposed of. The Company has performed an analysis and determined that the adoption of this Statement had no effect on the earnings or financial position of the Company.

In April 2002 the FASB issued Statement No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, effective for fiscal years beginning after June 15, 2002. For most companies, Statement No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Statement No. 145 also amends Statement No. 13 to require certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for sub-leases when the original lessee remains a secondary obligor (or guarantor). In addition, the FASB rescinded Statement No. 44, which addressed the accounting for intangible assets of motor carriers and made numerous technical corrections. The Company has not yet determined the effect, if any, of the adoption of this Statement.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which addresses financial accounting and reporting for costs associated with exit or disposal activities and supersedes EITF No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring.) SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost as defined in EITF No. 94-3 was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The Company will adopt the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002.

In December 2002 the FASB issued Statement No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, effective for fiscal years ending after December 15, 2002. Statement No. 148 amends Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to Statement No. 123's fair value method of accounting for stock-based employee compensation. Statement No. 148 also amends the disclosure provisions of Statement No. 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The Company has adopted Statement No. 148 as of December 31, 2002 and has complied with the new disclosure requirements.

In November 2002 the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN No. 45"). FIN No. 45 clarifies and expands on existing disclosure requirements for guarantees, including loan guarantees. It also would require that, at the inception of a guarantee, the Company must recognize a liability for the fair value of its obligation under that guarantee. The initial fair value recognition and measurement provisions will be applied on a prospective basis to certain guarantees issued or modified after December 31, 2002. The disclosure provisions are effective for financial statements of periods ending after December 15, 2002 (Note 6).The Company does not expect that the adoption of the initial recognition and measurement provisions of FIN No. 45 will have a material impact on its financial position, cash flows or results of operations.

In January 2003 the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 ("FIN No. 46"). FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN No. 46 must be applied for the first interim or annual period beginning after June 15, 2003. Since the Company has no interests in variable interest entities, the Company does not expect that the adoption of FIN No. 46 will have a material impact on its financial position, cash flows or results of operations.

2. ACQUISITIONS

On September 20, 2000, the Company acquired through its wholly-owned subsidiary, Blue Sky, the beverage business of BSNBC, including the Blue Sky(R) trademarks and certain other assets for a purchase price of $6.5 million. The Blue Sky(R) products include a range of all-natural carbonated sodas and seltzers that are marketed throughout the United States and in certain international markets, principally to the health food trade. On May 25, 2001, the Company acquired through its subsidiary Junior Juice, the Junior Juice beverage business of Pasco Juices, Inc., including the Junior Juice(R) trademarks and assumption of certain liabilities for a purchase price of $946,677. The Junior Juice(R) products are comprised of 100% juices targeted at toddlers.

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

Trademarks acquired are evaluated and amortized in accordance with SFAS No. 142. The operating results of Blue Sky and Junior Juice have been included in the Company's results of operations since the respective dates of acquisition.

3. INVENTORIES

Inventories consist of the following at December 31:

	2002	2001
Raw materials	$ 4,267,055	$ 4,742,102
Finished goods	8,023,118	7,615,345
	12,290,173	12,357,447
Less inventory reserves	(646,439)	(400,767)
	$ 11,643,734	$ 11,956,680

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2002	2001
Leasehold improvements	$ 290,615	$ 283,103
Furniture and office equipment	776,401	707,025
Equipment and vehicles	2,712,838	2,450,257
	3,779,854	3,440,385
Less accumulated depreciation and amortization	(1,917,047)	(1,495,239)
	$ 1,862,807	$ 1,945,146

5. LONG-TERM DEBT

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

The initial use of proceeds under the Modification Agreement was to pay the seller in connection with the acquisition of the Blue Sky business, to repay the remaining $807,000 balance due under the term loan and to provide additional working capital. The Company's outstanding borrowings on the line of credit at December 31, 2002 were $3.0 million.

The credit facility contains financial covenants which require the Company to maintain certain financial ratios and achieve certain levels of annual income. The facility also contains certain non-financial covenants. At December 31, 2002, the Company was in compliance with all covenants.

During 2000, the Company entered into capital leases for acquisition of certain vehicles, payable over a five-year period and having an effective interest rate of 8.8%. At December 31, 2002 and 2001, the assets acquired under capital leases had a net book value of $285,085 and $402,387, net of accumulated depreciation of $301,422 and $184,120, respectively.

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

	2002	2001
Line of credit from Comerica, collateralized by substantially all of HBC's assets, at an effective interest rate of LIBOR plus 2.5% (4.0% as of December 31, 2002), due in September 2005	$ 2,969,000	$ 4,978,000
Note payable to Pasco Juices, Inc., collateralized by the Junior Juice trademark, payable in quarterly installments of varying amounts through May 2006, net of unamortized discount based on imputed interest rate of 4.5% of $77,976 at December 31, 2002	543,131	643,806
Note payable in connection with the acquisition of the Hansen's(R) trademark and trade name, payable in three equal annual installments of $143,750 each, paid in full in August 2002		143,750
Capital leases, collateralized by vehicles acquired, payable over 60 months in monthly installments at an effective interest rate of 8.8%, with final payments ending in 2005	324,649	423,421
	3,836,780	6,188,977
Less: current portion of long-term debt	(230,740)	(337,872)
	$ 3,606,040	$ 5,851,105

Long-term debt is payable as follows:

Year ending December 31:	
2003	$ 230,740
2004	264,234
2005	3,195,314
2006	146,492
	$ 3,836,780

Interest expense amounted to $224,748, $520,160 and $380,651, for the years ended December 31, 2002, 2001 and 2000, respectively.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases - The Company leases its warehouse facility and corporate offices under a 10 year lease beginning October 2000, when the Company first occupied the facility. The facility lease and certain equipment and other non-cancelable operating leases expire through 2010. The facility lease has scheduled rent increases which are accounted for on a straight-line basis. Rent expense under such leases amounted to $643,827, $644,454, and $416,505 for the years ended December 31, 2002, 2001 and 2000, respectively.

Future minimum rental payments at December 31, 2002 under the leases referred to above are as follows:

Year ending December 31:	
2003	$ 653,727
2004	656,536
2005	658,179
2006	680,708
2007	660,468
Thereafter	1,879,017
	$ 5,188,635

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

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

Guarantees - The Company from time to time enters into certain types of contracts that contingently require the Company to indemnify parties against third party claims. These contracts primarily relate to: (i) certain agreements with the Company's officers, directors and employees under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationship, (ii) certain purchase agreements under which the Company may have to indemnify the Company's customers from any claim, liability or loss arising out of any actual or alleged injury or damages suffered in connection with the consumption or purchase of the Company's products, and (iii) certain real estate leases, under which the Company may be required to indemnify property owners for liabilities and other claims arising from the Company's use of the applicable premises.

The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated. Because the obligated amounts of these types of agreements often are not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Further, the Company believes that its insurance cover is adequate to cover any liabilities or claims arising out of such instances referred to above. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on its balance sheet as of December 31, 2002.

7. INCOME TAXES

Components of the income tax provision are as follows:

	Year Ended December 31,		
	2002	2001	2000
Current income taxes:			
Federal	$ 1,173,693	$ 1,248,119	$ 2,106,316
State	339,825	292,202	599,056
	1,513,518	1,540,321	2,705,372
Deferred income taxes:			
Federal	448,239	373,217	(57,309)
State	74,223	99,364	(32,077)
	522,462	472,581	(89,386)
	$ 2,035,980	$ 2,012,902	$ 2,615,986

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,		
	2002	2001	2000
Income tax provision using the statutory rate	$ 1,722,160	$ 1,710,967	$ 2,220,578
State taxes, net of federal tax benefit	267,440	293,602	380,945
Permanent differences	46,380	31,423	31,865
Other		(23,090)	(17,402)
	$ 2,035,980	$ 2,012,902	$ 2,615,986

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

	2002	2001
Reserves for returns	$ 70,487	$ 180,048
Reserves for bad debts	86,484	65,885
Reserves for obsolescence	271,504	171,689
Reserves for marketing development fund	326,760	159,327
Capitalization of inventory costs	145,553	115,783
State franchise tax	214,209	230,343
Accrued compensation	30,956	26,101
Amortization of graphic design	315,726	229,094
Total deferred tax asset	1,461,679	1,178,270
Amortization of trademark license	(2,617,097)	(1,924,778)
Depreciation	(232,146)	(118,594)
Total deferred tax liability	(2,849,243)	(2,043,372)
Net deferred tax liability	$(1,387,564)	$ (865,102)

8. STOCK OPTIONS AND WARRANTS

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

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

Options granted under the 2001 Option Plan may be incentive stock options under Section 422 of the Internal Revenue Code, as amended (the "Code"), nonqualified stock options, or stock appreciation rights. Stock options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of the Company up to a ten-year period after their date of grant. As of December 31, 2002, options to purchase 529,500 shares of Hansen common stock had been granted under the 2001 Option Plan and options to purchase 1,433,500 shares of Hansen common stock remain available for grant under the 2001 Option Plan.

The Plan, as amended, provided for the granting of options to purchase not more than 3,000,000 shares of Hansen common stock to key employees of the Company and its subsidiaries through July 1, 2001. Stock options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of the Company up to a ten-year period after their date of grant, and no options may be granted after July 1, 2001. The option price will not be less than the fair market value at the date of grant. As of December 31, 2002, options to purchase 2,111,700 shares of Hansen common stock had been granted under the Plan, net of options that have expired.

The Directors Plan provides for the grant of options to purchase up to 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company (the "Board") 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, 2002, options to purchase 36,000 shares of Hansen common stock had been granted under the Directors Plan and options to purchase 64,000 shares of Hansen common stock remained available for grant.

For the years ended December 31, 2002, 2001, and 2000, the Company granted 529,500, 122,500, and 189,000 options to purchase shares under the Plan, the 2001 Option Plan, and Directors Plan at a weighted average grant date fair value of $1.33, $1.36, and $2.26, respectively. Additional information regarding the plans is as follows:

	2002		2001		2000	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of year	1,053,400	$3.04	1,134,400	$2.84	1,093,327	$2.60
Options granted	529,500	$3.64	122,500	$3.49	189,000	$4.15
Options exercised	(8,000)	$1.00	(152,500)	$1.59	(38,327)	$1.49
Options canceled or expired	(73,000)	$2.54	(51,000)	$4.06	(109,600)	$3.17
Options outstanding, end of year	1,501,900	$3.29	1,053,400	$3.04	1,134,400	$2.84
Option price ra end of year		$1.00 to $5.25		$0.75 to $5.25		$0.75 to $5.25

The following table summarizes information about fixed-price stock options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at December 31, 2002	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at December 31, 2002	Weighted average exercise price
$1.00 to $1.13	216,000	Less than 1	$1.05	216,000	$1.05
$1.59 to $1.79	127,900	3	$1.63	127,900	$1.63
$3.02 to $3.95	688,000	8	$3.58	58,300	$3.54
$4.15 to $4.38	341,000	3	$4.25	221,200	$4.26
$4.44 to $5.25	129,000	3	$4.56	80,400	$4.55
	1,501,900			703,800	

9. EMPLOYEE BENEFIT PLAN

Employees of Hansen Natural Corporation may participate in the Hansen Natural Corporation 401(k) Plan, a defined contribution plan, which qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may contribute up to 15% of their pretax salary up to statutory limits. The Company contributes 25% of the employee contribution, up to 8% of each employee's earnings. Matching contributions were $64,949, $58,211, and $49,323 for the years ended December 31, 2002, 2001 and 2000 respectively.

10. RELATED-PARTY TRANSACTIONS

A director of the Company is a partner in a law firm that serves as counsel to the Company. Expenses incurred to such firm in connection with services rendered to the Company during the years ended December 31, 2002, 2001 and 2000 were $79,843, $193,350, and $180,954, 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 during the years ended December 31, 2002, 2001 and 2000 were $164,199, $164,638, and $115,520, respectively.

11. QUARTERLY FINANCIAL DATA (Unaudited)

	Net Sales	Gross Profit	Net Income	Net Income per Common Share	
				Basic	Diluted
Quarter ended:					
March 31, 2002	$18,592,394	$ 6,810,081	$ 410,645	$0.04	$0.04
June 30, 2002	26,264,788	9,833,837	1,271,083	0.13	0.12
September 30, 2002	26,985,256	9,677,851	1,270,225	0.12	0.12
December 31, 2002	20,203,924	6,921,924	77,242	0.01	0.01
	$92,046,362	$33,243,693	$3,029,195	$0.30	$0.29
Quarter ended:					
March 31, 2001	$16,908,114	$ 6,300,246	$ 325,448	$0.03	$0.03
June 30, 2001	22,337,607	8,212,872	1,107,525	0.11	0.11
September 30, 2001	23,010,637	8,387,500	1,258,732	0.13	0.12
December 31, 2001	18,401,959	5,961,160	327,648	0.03	0.03
	$80,658,317	$28,861,778	$3,019,353	$0.30	$0.29

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

HANSEN NATURAL CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

Description	Balance at beginning of period	Charged to cost and expenses	Deductions	Balance at end of period
Allowance for doubtful accounts, sales returns and cash discounts:				
2002	$ 625,270	3,108,031	(2,634,656)	$ 1,098,645
2001	$ 486,462	3,187,101	(3,048,293)	$ 625,270
2000	$ 415,305	2,171,731	(2,100,574)	$ 486,462
Promotional allowances:				
2002	$ 2,981,556	12,660,386	(12,471,771)	$ 3,170,171
2001	$ 2,370,260	12,167,783	(11,556,487)	$ 2,981,556
2000	$ 1,651,604	8,295,866	(7,577,210)	$ 2,370,260
Inventory reserves:				
2002	$ 400,767	269,530	(23,858)	$ 646,439
2001	$ 168,409	262,187	(29,829)	$ 400,767
2000	$ 163,048	249,067	(243,706)	$ 168,409

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of July 12, 2002, by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Mark J. Hall ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation 2001 Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock").

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 20,000 shares of Common Stock, at the purchase price of $3.57 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Natural Group") unless the employment is terminated by a member of the Hansen Natural Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Natural Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(c) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations or satisfactorily perform his duties of employment, insubordination or drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, and provided that Holder is employed by a member of the Hansen Natural Group on the relevant date, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

Column "A" Number of Shares	Column "B" Exercise Date
4,000	July 12, 2003
4,000	July 12, 2004
4,000	July 12, 2005
4,000	July 12, 2006
4,000	July 12. 2007
20,000	

(b) This ISO may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(c) Notwithstanding anything else herein to the contrary, this ISO shall expire ten years from the date of this agreement.

(d) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in any of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $8,000, assuming exercise price of $2.00 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,600 shares of Common Stock to the

Company.)

(c) By delivering a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the company the amount of sale or loan proceeds necessary to pay the purchase price and applicable withholding taxes, and such other documents as the Committee may determine.

(d) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers ("NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability.This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. Adjustments.

(a) Subject to clause 7(b) below, if the outstanding shares of stock of the Company are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of stock or securities, through merger, consolidation, sale of all or substantially all of the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of stock or other securities, then, to the extent permitted by the Board of the Company, an appropriate and proportionate adjustment shall be made in (1) the maximum number and kind of shares provided in clause 1 above; (2) the number and kind of shares or other securities subject to the outstanding options and tandum SARs, if any; and (3) the price for each share or other unit of any other securities subject to outstanding options without change in the aggregate purchase price or value as to which the options remain exercisable or subject to restrictions. Any adjustment under this clause 7(a) shall be made by the Board of the Company, whose determination as to what adjustments shall be made, if any, and the extent thereof, will be final, binding and conclusive. No fractional interests will be issued under this agreement resulting from any such adjustment.

(b) Notwithstanding anything else herein to the contrary, the Board of the Company may, at any time, in its sole discretion, provide that upon the occurrence of a change in control of the Company (as determined by the Board), all or a specified portion of any outstanding options not theretofore exercisable shall immediately become exercisable and that any option not exercised prior to such change in control shall be canceled.

8. No Rights as Stockholder. Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

9. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Natural Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

10. Compliance With Law and Regulation. This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

11. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

12. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

13. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 1010 Railroad Street, Corona, California 92882, Attention: Rodney C. Sacks with a copy to Benjamin Polk, Winston & Strawn, 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

14. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

15. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By: /s/RODNEY SACKS

Title: Chairman of the Board

/s/MARK J. HALL

Mark J. Hall

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of July 12, 2002, by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Hilton H. Schlosberg ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation 2001 Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock"), subject to the terms and conditions of the Plan and subject further to the terms and conditions set forth below.

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 150,000 shares of Common Stock, at the purchase price of $3.57 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Group") unless the employment is terminated by a member of the Hansen Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(d) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations, drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

Column "A" Number of Shares	Column "B" Exercise Date
30,000	July 12, 2003
40,000	July 12, 2004
40,000	July 12, 2005
40,000	July 12, 2006
150,000	

(b) This ISO may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(c) Notwithstanding the above, this ISO shall be fully exercisable in the event Holder's employment with the Hansen Group is terminated by Holder for "Good Reason" (as defined below), or a member of the Hansen Group terminates his employment without "Cause" (as defined above). "Good Reason" means the Holder's termination of employment with the Hansen Group on or after a reduction in his compensation or benefits, his removal as the Company's Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer or Secretary, or his being assigned duties or responsibilities that are inconsistent with the dignity, importance or scope of his position with the Company.

(d) Notwithstanding anything else herein to the contrary, this ISO shall expire ten years from the date of this agreement.

(e) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in

either of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $7,000, assuming exercise price of $1.75 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,400 shares of Common Stock to the Company.)

(c) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers (NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability. This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. Adjustments.

(a) If the Company hereafter (i) declares a distribution on its shares in shares, (ii) splits its outstanding shares, (iii) combines its outstanding shares into a smaller number of securities or (iv) issues any shares or other securities by reclassification of its shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing entity), the purchase price in effect at the time of the record date for such distribution or the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the purchase price by a fraction, the denominator of which shall be the number of shares outstanding immediately after giving effect to such action, and the numerator of which shall be the number of shares outstanding immediately prior to such action. Whenever the purchase price payable upon exercise of the ISO is adjusted pursuant to the preceding sentence above, the number of shares purchasable upon exercise of the ISO shall simultaneously be adjusted by multiplying the number of shares issuable upon exercise of the ISO immediately prior to the event which causes the adjustment by the purchase price in effect immediately prior to the event which causes the adjustment and dividing the product so obtained by the purchase price, as adjusted. Such adjustments shall be made successively whenever any event listed above shall occur.

(b) If, at any time, as a result of an adjustment made pursuant to paragraph 7(a) above, the Holder shall become entitled to receive any securities of the Company other than shares, the number of such other securities so receivable upon exercise of the ISO shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in paragraph 7(a) above.

(c) If any other event contemplated in Section 10(a) of the Plan occurs, adjustments to the number and kind of shares subject to this ISO and/or to the purchase price for each share subject to this ISO may be made in accordance with Section 10(a) of the Plan.

(d) No adjustments shall be made under this Section 7 that would have the effect of modifying this ISO under Internal Revenue Code ss.ss. 422 or 424.

(e) Whenever the purchase price or the number of shares is adjusted, as herein provided, Hansen shall within 10 business days of the event causing such adjustment give a notice setting forth the adjusted purchase price and adjusted number of shares issuable upon exercise of the ISO to be mailed to the Holder.

(f) Notwithstanding anything else herein to the contrary, upon the occurance of a change in control (as defined in (g) below), the option or any portion thereof not theretofore exercisable, shall immediately become exercisable in its entirety and the option (being the option to purchase shares of Common Stock subject to the applicable provisions of the Plan and awarded in accordance with the Plan in terms of section 1 above) may, with the consent of Holder, be purchased by the Company for cash at a price equal to the fair market value (as defined in 7(g) below) less the purchase price payable by Holder to exercise the option as set out in Article 1 above for one (1) share of Common Stock of the Company multiplied by the number of shares of Common Stock which Holder has the option to purchase in terms of Article 1 above.

(g) For the purposes of this agreement

(i) "Change in Control" means;

(A)the acquisition of "Beneficial Ownership" by any person (as defined in rule 13 (d) - 3 under the Securities Exchange Act 1934), corporation or other entity other than the Company or a wholly owned subsidiary of the Company of 20% or more of the outstanding Stock,

(B)the sale or disposition of substantially all of the assets of the Company, or

(C)the merger of the Company with another corporation in which the Common Stock of the Company is no longer outstanding after such merger.

(ii) "Fair Market Value" means, as of any date, the Closing Price for one share of the Common Stock of the Company on such date.

8. The provisions of Section 5(b) (iii) of the Plan, regarding the execution of a shareholder's agreement as a condition precedent to the Company's obligation to issue shares under the Plan, shall not apply to the ISO or any shares issued pursuant to the ISO.

9. The Company represents and warrants to Holder that (a) there are no options to purchase the Company's Common Stock, containing the same or substantially the same terms as the ISO, which are actively traded on an established market within the meaning of Internal Revenue Code ss.83 and the regulations promulgated thereunder; and (b) the shares of the Company's Common Stock issued upon exercise of the ISO, when issued in accordance with the terms hereof, will be duly authorized, validly issued, fully paid and nonassessable. The Company shall reserve and keep reserved out of its authorized shares of Common Stock the number of shares of Common Stock that may be issuable from time to time upon exercise of the ISO.

10. No Rights as Stockholder. Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

11. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

12. Compliance With Law and Regulation. This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors. The Company agrees to use its reasonable efforts to obtain any necessary listing, registration, qualification, consent, approval or agreement as expeditiously as possible, and the term of this ISO shall be extended until 30 days following the date such listing, registration, qualification, consent, approval or agreement is effected or obtained. Moreover, this ISO may not be exercised if its exercise or the receipt of shares of Common Stock pursuant thereto would be contrary to applicable law.

13. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

14. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

15. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 2380 Railroad Street, Suite 101, Corona, California 91720, Attention: Rodney Sacks with a copy to Benjamin Polk, Whitman, Breed, Abbott & Morgan 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

16. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

17. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By:/s/RODNEY SACKS

Title: Chairman and CEO

/s/HILTON H. SCHLOSBERG
- ---

Hilton H. Schlosberg

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of July 12, 2002, by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Rodney C. Sacks ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation 2001 Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock"), subject to the terms and conditions of the Plan and subject further to the terms and conditions set forth below.

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 150,000 shares of Common Stock, at the purchase price of $3.57 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Group") unless the employment is terminated by a member of the Hansen Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(d) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations, drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

Column "A" Number of Shares	Column "B" Exercise Date
30,000	July 12, 2003
40,000	July 12, 2004
40,000	July 12, 2005
40,000	July 12, 2006
150,000	

(b) This ISO may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(c) Notwithstanding the above, this ISO shall be fully exercisable in the event Holder's employment with the Hansen Group is terminated by Holder for "Good Reason" (as defined below), or a member of the Hansen Group terminates his employment without "Cause" (as defined above). "Good Reason" means the Holder's termination of employment with the Hansen Group on or after a reduction in his compensation or benefits, his removal as the Company's Chairman of the Board or Chief Executive Officer, or his being assigned duties or responsibilities that are inconsistent with the dignity, importance or scope of his position with the Company.

(d) Notwithstanding anything else herein to the contrary, this ISO shall expire ten years from the date of this agreement.

(e) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in either of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of

the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $7,000, assuming exercise price of $1.75 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,400 shares of Common Stock to the Company.)

(c) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers (NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability. This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. Adjustments.

(a) If the Company hereafter (i) declares a distribution on its shares in shares, (ii) splits its outstanding shares, (iii) combines its outstanding shares into a smaller number of securities or (iv) issues any shares or other securities by reclassification of its shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing entity), the purchase price in effect at the time of the record date for such distribution or the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the purchase price by a fraction, the denominator of which shall be the number of shares outstanding immediately after giving effect to such action, and the numerator of which shall be the number of shares outstanding immediately prior to such action. Whenever the purchase price payable upon exercise of the ISO is adjusted pursuant to the preceding sentence above, the number of shares purchasable upon exercise of the ISO shall simultaneously be adjusted by multiplying the number of shares issuable upon exercise of the ISO immediately prior to the event which causes the adjustment by the purchase price in effect immediately prior to the event which causes the adjustment and dividing the product so obtained by the purchase price, as adjusted. Such adjustments shall be made successively whenever any event listed above shall occur.

(b) If, at any time, as a result of an adjustment made pursuant to paragraph 7(a) above, the Holder shall become entitled to receive any securities of the Company other than shares, the number of such other securities so receivable upon exercise of the ISO shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in paragraph 7(a) above.

(c) If any other event contemplated in Section 10(a) of the Plan occurs, adjustments to the number and kind of shares subject to this ISO and/or to the purchase price for each share subject to this ISO may be made in accordance with Section 10(a) of the Plan.

(d) No adjustments shall be made under this Section 7 that would have the effect of modifying this ISO under Internal Revenue Code ss.ss. 422 or 424.

(e) Whenever the purchase price or the number of shares is adjusted, as herein provided, Hansen shall within 10 business days of the event causing such adjustment give a notice setting forth the adjusted purchase price and adjusted number of shares issuable upon exercise of the ISO to be mailed to the Holder.

(f) Notwithstanding anything else herein to the contrary, upon the occurance of a change in control (as defined in (g) below), the option or any portion thereof not theretofore exercisable, shall immediately become exercisable in its entirety and the option (being the option to purchase shares of Common Stock subject to the applicable provisions of the Plan and awarded in accordance with the Plan in terms of section 1 above) may, with the consent of Holder, be purchased by the Company for cash at a price equal to the fair market value (as defined in 7(g) below) less the purchase price payable by Holder to exercise the option as set out in Article 1 above for one (1) share of Common Stock of the Company multiplied by the number of shares of Common Stock which Holder has the option to purchase in terms of Article 1 above.

(g) For the purposes of this agreement

(i) "Change in Control" means;

(A)the acquisition of "Beneficial Ownership" by any person (as defined in rule 13 (d) - 3 under the Securities Exchange Act 1934), corporation or other entity other than the Company or a wholly owned subsidiary of the Company of 20% or more of the outstanding Stock,

(B)the sale or disposition of substantially all of the assets of the Company, or

(C)the merger of the Company with another corporation in which the Common Stock of the Company is no longer outstanding after such merger.

(ii) "Fair Market Value" means, as of any date, the Closing Price for one share of the Common Stock of the Company on such date.

8. The provisions of Section 5(b) (iii) of the Plan, regarding the execution of a shareholder's agreement as a condition precedent to the Company's obligation to issue shares under the Plan, shall not apply to the ISO or any shares issued pursuant to the ISO.

9. The Company represents and warrants to Holder that (a) there are no options to purchase the Company's Common Stock, containing the same or substantially the same terms as the ISO, which are actively traded on an established market within the meaning of Internal Revenue Code ss.83 and the regulations promulgated thereunder; and (b) the shares of the Company's Common Stock issued upon exercise of the ISO, when issued in accordance with the terms hereof, will be duly authorized, validly issued, fully paid and nonassessable. The Company shall reserve and keep reserved out of its authorized shares of Common Stock the number of shares of Common Stock that may be issuable from time to time upon exercise of the ISO.

10. No Rights as Stockholder. Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

11. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

12. Compliance With Law and Regulation. This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors. The Company agrees to use its reasonable efforts to obtain any necessary listing, registration, qualification, consent, approval or agreement as expeditiously as possible, and the term of this ISO shall be extended until 30 days following the date such listing, registration, qualification, consent, approval or agreement is effected or obtained. Moreover, this ISO may not be exercised if its exercise or the receipt of shares of Common Stock pursuant thereto would be contrary to applicable law.

13. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

14. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

15. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 2380 Railroad Street, Suite 101, Corona, California 91720, Attention: Hilton Schlosberg with a copy to Benjamin Polk, Whitman, Breed, Abbott & Morgan 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

16. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

17. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By:/s/HILTON SCHLOSBERG

Title: Vice Chairman

/s/RODNEY C. SACKS
- ---
Rodney C. Sacks

ADVERTISING DISPLAY AGREEMENT

This Advertising Display Agreement (the "Agreement") is made and entered into this 17th day of March, 2003, by and between the Las Vegas Monorail Company, a Nevada non-profit corporation ("Owner"), and Hansen Beverage Company, a Delaware corporation ("Advertiser"), with reference to the following facts and purposes:

A. Owner is causing to be built a mass transit monorail system known as the Las Vegas Monorail(TM) (the "Monorail"), to be used for public transportation in the Las Vegas Strip resort corridor, which is expected to open for revenue service in early 2004. In connection with the Monorail transportation services, Owner will make available space for advertising and promotional displays in or upon the Monorail vehicles and stations.

B. Advertiser has reviewed advertising and promotional opportunities on the Monorail and desires to advertise on the Monorail.

Now, therefore, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Contract Price and Location of Advertising Displays. Advertiser shall pay to Owner the sum of $____ per year (the "Contract Price") for the right to place advertising and promotional displays on and the right to decorate both the exterior and interior of the 4-car vehicle scheduled to be delivered to Las Vegas in or about March 2003 (the "Vehicle") (together "Advertising"), except that Advertising may not (i) be placed on the inside or outside of the vehicle windows without the prior written consent of Owner nor (ii) exceed the limitations in Section 3(b) of the Standard Terms. Advertiser has submitted preliminary advertising designs and decorations for and advertising to appear on the Vehicle as illustrated on Appendix 1 hereto (which are in draft form and may be altered prior to production at the discretion of Advertiser pursuant to Paragraph 9), and which contemplate the entire exterior of the Vehicle as well as the floor, seating surfaces, overhead light panels, the outside face of the interior control boxes, and other surfaces of the interior of the Vehicle, as shown on the drawings attached as Appendix 1, being covered with film depicting the aforesaid designs, decorations and advertising. Owner hereby warrants and represents that such designs, decorations and advertising and any similar designs, decorations and advertising which cover a similar area of both the exterior and interior of the Vehicle, do not exceed the limitations contemplated in Section 3 (b) of the Standard Terms. Owner may coordinate its designs and color schemes for the remainder of the Vehicle's interior with Advertiser's designs and decoration such that the aesthetics and designs of the interior are compatible. The Advertising further includes the right to install 4 video displays, fixtures, fittings, and other Advertising materials in and to the interior of the Vehicle at Advertiser's expense, in accordance with the designs approved by Owner, provided no damage results to the Vehicle.

2. Term of Agreement. Subject to the Conditions Precedent set forth in Section 6 below, this Agreement becomes effective immediately upon full execution and delivery hereof. The "Commencement Date" shall be the first day of the Monorail's revenue ready status, presently estimated to begin service in early 2004. The "Initial Term" of this Agreement shall end on the first (1st) anniversary of the Commencement Date. The Advertiser shall have the right to renew this Agreement for nine (9) additional one (1) year terms, each of which additional terms shall commence on the day following the expiration of the then current term. At least 120 days before the expiration of the then current term, Advertiser must notify Owner in writing of its intent to renew this Agreement for an additional one (1) year term. Should Advertiser fail to so notify Owner, this Agreement shall expire and terminate automatically on the expiration of the then current term. At least 120 days prior to the expiration of the then current term, Owner may notify Advertiser of its intent to terminate this Agreement. Should Owner so notify Advertiser, then (i) Advertiser's right to extend this Agreement set forth in this Section 2 shall immediately expire and terminate and (ii) the Agreement shall expire and terminate upon the expiration of the then current term.

3. Contract Price Adjustment and Protection. Owner retains the right to re-determine and adjust the Contract Price to fair market rates, whether an increase or decrease to the Contract Price, at any time after the expiration of three (3) years from the Commencement Date and at any time after the expiration of three (3) years from any subsequent re-determination. During the Initial Term, Owner shall provide Advertiser minimum price protection of the Contract Price, whereby Owner shall decrease the Contract Price by or, as necessary, refund to Advertiser the difference between the Contract Price and any lower contract price that may be charged by Owner to any other advertiser for single train advertising upon substantially similar terms.

4. Non-exclusivity. This Agreement does not provide sponsorship or naming rights for any Monorail vehicle or station. For reasons related to the Monorail's tax exempt financing, Owner must retain the right to accept any advertising for any product whatsoever from any advertiser elsewhere on the Monorail, and this Agreement does not convey any exclusive rights to advertising for beverage, soft or energy drinks or product categories on the Monorail.

5. Bombardier Consent. Owner may not have the right to allow the Advertiser to place advertising on or decorate the Vehicle until ownership is transferred to Owner. Consequently, in addition to Owner's approval of Advertising as set

forth herein, Advertiser will need to obtain the permission of Owner's contractor, Bombardier Transit Corporation ("BTC"), as Advertiser intends to place Advertising on the Vehicle, before Owner takes ownership of the vehicle. Owner will assist Advertiser to obtain this consent at the earliest available opportunity, though Owner cannot guarantee BTC's willingness to so consent.

6. Conditions Precedent. The validity of this Agreement is conditioned upon and subject to the fulfillment of the following conditions precedent. Should any of the following conditions precedent not be timely fulfilled or waived in writing by Advertiser, this Agreement shall be null and void and neither party shall have any obligation/s of whatsoever nature to the other:

(a) That agreement is reached in writing between the Owner and Advertiser with respect to the designs, decorations and advertising to appear on both the exterior and interior of the Vehicle, by not later than April 4, 2003. Advertiser is aware that Owner's approval of Advertiser's designs requires prior approval by Owner's Board of Directors and a Section 3(b) compliance determination by Owner's tax compliance counsel prior thereto;

(b) That all permissions required from BTC with regard to the decoration of and application of advertising on and access to the Vehicle are obtained by no later than April 4, 2003; and

(c) That a final written agreement is concluded between the Owner and Advertiser with respect to the rights of the Advertiser to place vending machines to sell Advertiser's Monster/ Hansen's Energy Drinks and Natural Sodas on all monorail stations throughout the term of this agreement, upon mutually acceptable terms and conditions, by no later than July 31, 2003.

7. Testing and Promotions. Owner agrees that the Vehicle will be operated regularly by Owner during the testing period ending January 1, 2004 (the "Testing Period") in accordance with Owner's established system testing procedures and shall, during the Testing Period, be the primary vehicle used and be used whenever reasonably possible by Owner to demonstrate and promote the Monorail to members of the press, third parties, consumers, passengers, and members of the public to achieve maximum visibility for the Vehicle (fully decorated), though not exclusively. Furthermore, Advertiser agrees that, subject to the timely delivery of the Vehicle, it will make its reasonable best efforts to organize, hold and fund various cross-promotional events, being, : (1) an event in New York City, New York for the "unveiling" the nose car of the Vehicle and general promotion of the Monorail/Monster drink substantially like the event described in Appendix 2 attached hereto as "Unveiling of First Train - Manhattan, New York" and (2) an event for the arrival of the Vehicle in Las Vegas, Nevada substantially like the event described in Appendix 2 attached hereto as "Arrival of First Train in Las Vegas". Owner and Advertiser agree to make reasonable efforts to coordinate and participate in events that cross-promote the Monorail and Monster drinks and other of the Advertiser's products, such as those listed on Appendix 2, throughout the term of this Agreement; however, neither Owner nor advertiser shall be obligated to fund any such events.

8. Letter of Credit. No less than thirty (30) days prior to the Commencement Date, Advertiser shall provide owner an irrevocable standby letter of credit (the "Letter of Credit") in the Contract Price amount in favor of Owner to serve as a guaranty of payment of the quarterly installment payments required to be made to Owner pursuant to Section 1 of the Standard Terms (defined below). If Advertiser fails to make any quarterly payment of the Contract Price by the end of the five (5) day grace period provided in written notice pursuant to Section 1 of the Standard Terms, then Owner may draw the outstanding amount of the quarterly payment due to Owner against the Letter of Credit at any time thereafter. Once a quarterly payment has been made, then the Letter of Credit shall decrease by the amount of the quarterly payment. Advertiser or the bank issuing the Letter of Credit must obtain owner's consent to the form of the Letter of Credit, which consent shall not be unreasonably withheld. In the event that Advertiser renews the Agreement for an additional term, the Advertiser shall renew the Letter of Credit.

9. Advertising Changes. Advertiser may change the image of advertising on the Vehicle at any time and may promote any of its products thereon, at Advertiser's sole cost and expense. Advertiser may make any such changes only after receiving prior written approval from Owner, which approval shall not be unreasonably withheld or delayed.

10. Video Displays. Advertiser shall have the right to install one video display in each car in the Vehicle for promotional or advertising purposes. Owner shall have the right to install a separate video network of up to one video display per car in the Vehicle for promotional, advertising or informational purposes but shall not promote or advertise competitive beverages thereon. Owner and Advertiser shall make reasonable efforts to coordinate or integrate their video display systems.

11. Standard Terms. The attached Standard Terms and Conditions to Advertising Display Agreement ("Standard Terms") are hereby incorporated by reference and made a part hereof.

In witness whereof, the parties have entered into this Agreement on the date first written above.

LAS VEGAS MONORAIL COMPANY	HANSEN BEVERAGE COMPANY
By /s/JOHN HAYCOCK	By /s/RODNEY SACKS
Name/Title Chairman	Rodney C. Sacks Chief Executive Officer/Chairman

STANDARD TERMS AND CONDITIONS TO ADVERTISING DISPLAY AGREEMENT

1. Payment Terms. Payment of the Contract Price for the Initial Term of this Agreement shall be divided into four (4) equal quarterly installments. The first quarterly installment shall be received by Owner no later than the Commencement Date and each quarterly installment thereafter shall be received by Owner no later than the first day of each subsequent three (3) month period. The Contract Price for each additional term for which this Agreement is renewed shall be due on the same terms. The Advertiser's failure to make any payment required hereunder within 5 days after receipt of written notice to Advertiser in terms of Section 10 below, shall be a default of this Agreement or trigger Owner's right to draw on the Letter of Credit.

2. Renewals. Renewals shall be permitted as provided in Paragraph 3 of the Agreement.

3. Approval of Advertising. Owner retains reasonable discretion as to the suitability of all Advertising. If Owner fails or declines to approve Advertising which reasonably complies with the terms of the Agreement (including the Advertising Policy and the Section 3(b) tax limitations), Advertiser shall be entitled to thereupon terminate this Agreement, with no further obligations or liability hereunder and shall be entitled to a refund of a pro rata portion of the Contract Price in respect of the unexpired portion of the then current term of this Agreement.

a. Advertiser shall comply with the Advertising Policy ("Policy") approved by Owner, which may be amended from time to time. A copy of the Policy is attached and made a part hereof. The extent and scope of the Advertiser's advertising may not exceed limitations arising out of Owner's tax exempt bonds. Subject to the provisions of Section 1 of the Advertising Display Agreement, Owner may request the alteration of or adjustment to such advertising to ensure such compliance. In addition to Advertiser's termination right provided in section 3 (a) above and without any limitation thereto, should Owner require the alteration of or adjustment to the advertising to enable the same to comply with any limitations arising out of Owner's tax exempt bonds, Advertiser shall be entitled to terminate this Agreement, with no further obligations or liability hereunder and shall be entitled to a refund of a pro rata portion of the Contract Price in respect of the unexpired portion of the then current term of this Agreement or, at the Advertiser's election, to an equitable reduction of the Contract Price.

b. Owner may alter or adjust such advertising to ensure such compliance. In addition to the Advertiser's termination right provided in this Section 3 above, if Owner must alter or adjust materially the advertising to comply with tax law, Advertiser is entitled to an equitable adjustment of the Contract Price.

c. Advertiser shall submit and obtain written pre-production approval from Owner of all design, cabinetry, mechanics, installation, artwork, and copy. Advertiser's initial designs shall be submitted within 30 days of the date hereof, but in no case later than 14 days before Advertiser plans to install the Advertising. Advertiser may not install advertising displays, or change the design, cabinetry, mechanics, installation, artwork, and copy without the prior written approval of Owner, which approval shall not be unreasonably withheld or delayed. Advertiser shall coordinate and schedule installation of the advertising with Owner.

4. Production and Removal, Costs. The Contract Price represents the total net payments to Owner for the advertising as set forth herein. The Contract Price does not include charges for production, installation, and/or removal of the Advertiser's advertising or the cost of construction and maintenance of such advertising. The Advertiser shall be responsible for and bear all costs to construct, install, produce, maintain, and remove the advertising, including the cost to restore the Monorail to its original condition. Should it become necessary for Owner to remove Advertiser's advertising as a result of Advertiser's default, Advertiser shall reimburse Owner for all reasonable costs incurred in connection therewith upon fifteen (15) days written notice.

5. Interruptions and Alterations. Any interruption of service caused by Owner shall not constitute a breach of the Agreement, and Owner shall have the option of giving Advertiser an extension of term of service or pro rata credit equal to the period of interruption. Should Owner need to substantially alter the Advertiser's advertising due to remodeling or construction, whether temporary or permanent, Advertiser agrees that its display(s) can be relocated by Owner to a comparable location upon prior approval of Advertiser, which approval shall not be unreasonably withheld, without any modification or adjustment to the Agreement, including the Contract Price and Term. The display(s) will be returned to their original location at the conclusion of construction should the location be available for such display(s). Owner will be responsible for any costs to remove, reinstall or relocate the display(s) due to construction or remodeling of the Monorail.

6. Power. Owner will provide electrical power to Advertiser's display(s) up to the standard 5.4 kw per hour. Advertiser shall be responsible for the cost of power in excess of the standard load if the Advertiser's electrical load exceeds the standard. Such additional costs shall be due and payable monthly upon fifteen (15) days written notice.

7. Duty to Maintain. Advertiser shall be responsible to keep and maintain its advertising display(s) in a clean, operable and aesthetically pleasing manner. Owner, in its reasonable discretion, may require changes or improvements to display(s) which are or have not been kept in a clean, operable or aesthetically pleasing manner; however, Owner is responsible for washing and cleaning the Vehicle regularly. If Advertiser has failed or refused to make appropriate changes within fifteen (15) days of Owner's written notice, Owner shall have the right, at its option, to make said changes and charge Advertiser for all reasonable costs in connection therewith. Unless an emergency, Advertiser, or its contractor, must notify Owner of all maintenance scheduled for display(s) at least 48 hours in advance, regardless of the reason for the maintenance.

8. Insurance. Advertiser agrees to obtain and maintain in full force and effect throughout the term of this Agreement commercial general liability insurance with a minimum coverage limit of Two Million Dollars ($2,000,000.00) per occurrence, Five Million Dollars ($5,000,000.00) aggregate, issued by a company and in a form acceptable to Owner. The policy shall name Owner as an additional insured on the policy and must cover damage to Owner's property arising out of damages caused by Advertiser, its agents, representatives or contractors in addition to claims by third parties for damages arising out of Advertiser's advertising. The policy shall require that Owner be notified in writing at least thirty (30) days prior to its cancellation. A certificate of insurance for the policy shall be delivered to Owner within ten (10) days after execution of this Agreement, and any renewal or substitute policy shall be delivered at least twenty (20) days prior to expiration of an existing policy.

9. Indemnification.

a. Indemnification by Advertiser. Advertiser agrees to indemnify, defend and hold Owner, its officers, directors, employees, and representatives forever harmless from and against all claims, demands, lawsuits, liability, loss, judgments or other expense (including, but not limited to, defense costs, expenses and reasonable attorneys' fees) made or imposed upon Owner arising out of any allegations of injuries to or death of persons (including wrongful death), damages to property, damages for libel, violation of the right of privacy, plagiarism, copyright infringement, and any other claims, that directly arise from (1) the display of any Advertising installed by Advertiser on the Monorail pursuant to this Agreement, or (2) damage from the materials or equipment that Advertiser may install on the Monorail pursuant to this Agreement.

b. Indemnification by Owner. Owner agrees to indemnify, defend and hold the Advertiser, its officers, directors, employees, and representatives forever harmless from and against all claims, demands, lawsuits, liability, loss, judgments or other expense (including, but not limited to, defense costs, expenses and reasonable attorneys' fees) made or imposed upon the Advertiser arising out of any allegations of injuries to or death of persons (including wrongful death), damages to property, and any other claims which do not arise out of (1) the installation, removal, or display of Advertising installed on the Monorail pursuant to this Agreement or (2) damage from the materials or equipment that Advertiser may install on the Monorail pursuant to this Agreement.

c. The parties, their respective officers, directors, employees, representatives and agents, shall not be liable for any damage or liability occurring by reason of the negligent act or omission, or intentional or willful misconduct of the other party, its officers, directors, employees, representatives or agents.

10. Default.

a. Default by Advertiser. In addition to other defaults set forth herein, Advertiser shall be in default if Advertiser fails to: (i) maintain current insurance policies as provided in Section 8; (ii) obtain Owner's approval of the advertising pursuant to Section 3 of the Standard Terms above; or (iii) fulfill any other part of this Agreement. Owner shall provide Advertiser a reasonably detailed written notice of default. Advertiser shall have fifteen (15) days from receipt of the notice (5 days in the case of non payment of any part of the Contract Price) to cure the default. If Advertiser has not cured the default within fifteen or five (15 or 5) days of notice, as the case may be, Owner may, at its sole option, terminate this Agreement or draw on the Letter of Credit, retain all sums of money paid by Advertiser to Owner, or remove the Advertising pursuant to Section 4.

b. Default by Owner. Owner shall be in default if Owner fails to fulfill any terms of this Agreement. Advertiser shall provide Owner with a reasonably detailed written notice of default. Owner shall have fifteen (15) days from receipt of the notice to cure the default. If Owner has not cured the default within fifteen (15) days of notice, Advertiser may, at its sole option, terminate this Agreement, recover a pro rata portion of the Contract Price in respect of the unexpired portion of the then current term of this Agreement

11. Compliance with Law. The parties and this Agreement shall comply with all federal, state, and local laws. If any clause, provision, section or part of this Agreement (i) is ruled invalid by a court of competent jurisdiction, or (ii) would negatively affect the tax-exempt status of Owner's bonds, then the parties shall promptly meet and negotiate a substitute for such clause, provision, section or part, which shall, to the greatest extent legally permissible, effect the original intent of the parties, including an equitable adjustment to the Contract Price to account for any change in the amount or type of advertising resulting from such invalidated or offending portion.

12. Owner's Rights. Owner has registered Las Vegas Monorail(TM) and reserves all rights to the use of the name. Advertiser, including all representatives and agents, must obtain Owner's advance written consent to use Las Vegas MonorailTM or images of any portion of the Monorail for any public relations, promotional, marketing, advertising, or other purpose, provided that such consent may not be unreasonably withheld or delayed by Owner. Owner hereby acknowledges that it is the intent and purpose of Advertiser to utilize the Monorail and images of portions of the Monorail for major public relations, promotional, marketing, advertising and other similar purposes for, and in connection with, the operation by the Advertiser of its business and sale of its products and hereby agrees thereto, subject to Owner's approval of such promotional campaigns. Owner hereby consents to Advertiser's use of the visual images of the Vehicle with its advertising and Las Vegas Monorail(TM) in its normal day-to-day operations, advertising and marketing activities, and communications with third parties, provided that Owner reserves the right to withdraw such consent at any time.

13. General Terms. This document embodies the entire agreement between the parties and may not be amended, modified, altered or changed in any respect whatsoever except by a writing duly executed by the parties hereto. Advertiser represents and warrants to Owner that it has all corporate or entity approvals necessary to enter into this Agreement. Advertiser shall not assign or transfer Advertiser's rights or duties under this Agreement without the prior written consent of Owner, which consent shall not be unreasonably withheld. The waiver by either party of a breach of any provision of the Agreement by the other shall not operate or be construed as waiver of any subsequent breach by the party. Any notice given under this Agreement must be in writing and hand-delivered, faxed, or sent by public mail to an address either party to the agreement specifies in writing to the other party. This Agreement is to be performed in, governed by, and construed in accordance with the laws of the State of Nevada. In the event of any dispute, the venue of any action shall be had in Clark County, Nevada, and the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs, including fees and costs in bankruptcy.

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of July 12, 2002, by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Kirk S. Blower ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation 2001 Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock").

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 12,500 shares of Common Stock, at the purchase price of $3.57 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Natural Group") unless the employment is terminated by a member of the Hansen Natural Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Natural Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(c) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations or satisfactorily perform his duties of employment, insubordination or drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, and provided that Holder is employed by a member of the Hansen Natural Group on the relevant date, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

Column "A" Number of Shares	Column "B" Exercise Date
2,500	July 12, 2003
2,500	July 12, 2004
2,500	July 12, 2005
2,500	July 12, 2006
2,500	July 12. 2007
12,500	

(b) This ISO may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(c) Notwithstanding anything else herein to the contrary, this ISO shall expire ten years from the date of this agreement.

(d) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in any of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $8,000, assuming exercise price of $2.00 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,600 shares of Common Stock to the

Company.)

(c) By delivering a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the company the amount of sale or loan proceeds necessary to pay the purchase price and applicable withholding taxes, and such other documents as the Committee may determine.

(d) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers ("NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability. This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. Adjustments.

(a) Subject to clause 7(b) below, if the outstanding shares of stock of the Company are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of stock or securities, through merger, consolidation, sale of all or substantially all of the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of stock or other securities, then, to the extent permitted by the Board of the Company, an appropriate and proportionate adjustment shall be made in (1) the maximum number and kind of shares provided in clause 1 above; (2) the number and kind of shares or other securities subject to the outstanding options and tandum SARs, if any; and (3) the price for each share or other unit of any other securities subject to outstanding options without change in the aggregate purchase price or value as to which the options remain exercisable or subject to restrictions. Any adjustment under this clause 7(a) shall be made by the Board of the Company, whose determination as to what adjustments shall be made, if any, and the extent thereof, will be final, binding and conclusive. No fractional interests will be issued under this agreement resulting from any such adjustment.

(b) Notwithstanding anything else herein to the contrary, the Board of the Company may, at any time, in its sole discretion, provide that upon the occurrence of a change in control of the Company (as determined by the Board), all or a specified portion of any outstanding options not theretofore exercisable shall immediately become exercisable and that any option not exercised prior to such change in control shall be canceled.

8. No Rights as Stockholder.Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

9. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Natural Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

10. Compliance With Law and Regulation. This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

11. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

12. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

13. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 1010 Railroad Street, Corona, California 92882, Attention: Rodney C. Sacks with a copy to Benjamin Polk, Winston & Strawn, 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

14. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

15. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By: /s/RODNEY SACKS

Title: Chairman of the Board

/s/KIRK S. BLOWER

Kirk S. Blower

August 14, 2000

Mr. Hilton H. Schlosberg
Vice Chairman
Hansen Beverage Company
Suite 101
2380 Railroad St.
Corona, CA 91720

Re: Packaging Agreement Between Hansen Beverage Company and U.S. Continental Marketing, Inc.

Dear Mr. Schlosberg:

U.S. Continental Marketing, Inc., a California corporation ("USCM"), is pleased to provide packaging, bundle wrapping and distribution services for Hansen Beverage Company ("Hansen") beverage products pursuant to the terms and conditions set forth herein.

1. Primary Engagement.

a. Hansen hereby engages USCM as its primary distribution center for Hansen beverage products for truck delivery other than for products shipped directly from Hansen Co-packers in the "Territory" as described on Schedule "1" hereto (the "Territory"). As such, USCM shall have responsibility for loading trucks with Hansen beverage products scheduled for delivery. USCM shall manage inventory at the distribution center and assemble and load it, as appropriate, for truck delivery in accordance with the procedures set forth in Schedule "2" hereto. USCM will provide all personnel and equipment necessary to meet its obligations hereunder.

b. USCM will provide such dry packaging services and bundle wrapping of Hansen beverage products as may be requested by Hansen and in accordance with the procedures set forth in Schedule "2" hereto. The parties hereto acknowledge that USCM is not responsible for filling any beverage products in cans, bottles or other containers.

c. USCM will case pack and hand load trucks with Hansen beverage products, all such loading to take place at the loading dock of the "Facility" (as defined herein).

2. Compensation.

a. Hansen will compensate USCM in accordance with the terms set forth in Schedule "3" hereto for services rendered by USCM. Prices may increase, but such increases shall be limited to actual increases in direct costs incurred by USCM. USCM shall provide reasonable support for any such increases to Hansen.

b. After six (6) months from the inception of this Agreement, USCM will, in good faith, evaluate its costs of actual operations as compared to its estimated costs of operations at the commencement of this Agreement and in the event of such actual costs being lower, it shall pass an appropriate price reduction onto Hansen. Such costs shall be determined on an ongoing basis and shall exclude costs incurred during the start up phase of the business.

3. Facility Lease and Related Expense.

a. Hansen will lease such industrial facilities as are necessary for USCM to discharge its services in accordance herewith. The parties contemplate that Hansen will lease a facility consisting of approximately 113,600 square feet with a street address of 1010 Railroad Street, Corona, California 92882 (the "Facility"). Hansen will be responsible for and pay the rent for the Facility ("the Hansen Lease").

b. The parties hereto understand that USCM will be leasing approximately 26,600 square foot of space adjoining the Facility (the "USCM Premises"), which space shall be in the same building as the Facility. USCM will be responsible for and pay the rent for the USCM Premises (the "USCM Lease").

c. The parties hereto acknowledge Hansen's expansion rights into the USCM Premises as set forth in Paragraph 46 of the Hansen Lease (the "Expansion Rights"). Hansen agrees to provide USCM with a copy of the notice delivered to the landlord in accordance with said Paragraph 46. Hansen agrees that in the event that it exercises the Expansion Rights, Hansen shall make payment to USCM (the "Relocation Payment") in the amount of (i) $____ less (ii) (A) $____ multiplied by (B) the number of completed months after the commencement of the Term of this Agreement (as set forth in Section 7(a) hereof) through the date on which Hansen has the right to occupy the USCM Premises. In accordance with the preceding sentence, no Relocation Payment shall be due to USCM once forty (40) months have been completed under this Agreement. A completed month for purposes hereof shall be concluded on each monthly anniversary of this Agreement (e.g., if the Term of this Agreement commences on the fifth day of the month, a completed month shall occur effective on the fifth day of each subsequent month during the Term of this Agreement and so forth).

d. Except as otherwise provided in this Section 3.e, all expenses associated with the lease and occupation of the Facility, including, but not limited to, utilities, insurance, repairs and maintenance, will be paid by Hansen. USCM will be responsible for cleaning of and expenses for the Facility and repairs necessitated by damage caused by USCM employees, agents or invitees to the Facility and for providing all necessary equipment and for insurance relating to its equipment, employees and operations. It is specifically recorded that the electrical costs of operating any equipment for the activities of USCM shall be borne and paid for in full by USCM. Among the expense for which Hansen will be responsible are the following:

i. Alarm service;
ii. Insurance over Hansen inventory, but not relating to the operations of USCM in the Facility.

e. Hansen shall permit USCM to have exclusive use of the Facility for the purpose of providing services to Hansen in accordance herewith, except that approximately 12,000 square feet of space will be set aside as office space for Hansen personnel.

4. Obligations of USCM. USCM shall be liable to Hansen on an annual basis for any damage to or loss of Hansen products in excess of $____ while in the possession and control of USCM prior to delivery of such products to carriers (from and after which, USCM's responsibility for damage or loss of products shall cease), except to the extent that Hansen employees, independent contractors acting on behalf of Hansen (other than USCM) or agents of Hansen are responsible for any such damage or loss. USCM shall also be responsible for any other loss suffered by Hansen as a result of USCM's breach of its obligations hereunder, except to the extent that such loss is attributable to Hansen employees, independent contractors acting on behalf of Hansen (other than USCM) or agents of Hansen. Damage or loss shall be monitored on a monthly basis.

5. Representations, Warranties and Covenants of Parties.

5.1 Representations and Warranties by Hansen. Hansen represents and warrants to, and agrees with, USCM as follows:

a. Binding Agreement. This Agreement has been duly executed and delivered by Hansen and constitutes a valid and legally binding agreement of Hansen, enforceable in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and provided that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

b. Non-Contravention. The execution and delivery of this Agreement by Hansen and the consummation of the business matters contemplated thereby will not violate any provision of any mortgage, lien, lease, agreement, license or instrument to which Hansen (or any affiliate thereof) is a party.

5.2 Representations and Warranties by USCM. USCM represents and warrants to, and agrees with, Hansen as follows:

a. Binding Agreement. This Agreement has been duly executed and delivered by USCM and constitutes a valid and legally binding agreement of USCM, enforceable in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and provided that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

b. Non-Contravention. The execution and delivery of this Agreement by USCM and the consummation of the business matters contemplated thereby will not violate any provision of any mortgage, lien, lease, agreement, license or instrument to which USCM (or any affiliate thereof) is a party.

6. Mutual Indemnification.

a. USCM shall be indemnified by Hansen for any loss suffered by USCM due to product liability claims, any negligence or reckless conduct of Hansen or its agents and independent contractors (other than USCM) or the breach of any obligation, representation, warranty or covenant of Hansen as contained herein.

b. Hansen shall be indemnified by USCM for any loss suffered by Hansen due to any negligence or reckless conduct of USCM or its independent contractors and agents or the breach of any obligation, representation, warranty or covenant of USCM as contained herein.

7. Term; Termination Rights.

a. The term of this Agreement shall commence on the commencement date of the Hansen Lease and continue through July 31, 2002 (the "Term"). The existing agreement between the parties, as of the date hereof, shall continue in effect until commencement of the Term, after which said agreement shall be superseded and replaced in its entirety by the terms of this Agreement. This Agreement shall be renewed annually after the Term (each such annual renewal constituting a "Renewal Term"), unless a party hereto gives the other not less than sixty (60) days prior written notice of its intention to terminate this Agreement at the end of the then current Term or Renewal Term, as the case may be.

b. Notwithstanding Section 7(a), this Agreement may be terminated by Hansen prior to expiration of the Term in the event that USCM fails to satisfy in material respects its duties or obligations hereunder with respect to Hansen beverage products on more than _____% of the bills of lading executed in any calendar month (a "Default" hereunder); provided, however, that USCM shall not be deemed to be in Default hereunder unless it is notified in writing by Hansen of the facts constituting a Default and such failure is not corrected within thirty (30) days of USCM's receipt of such notice, except that in no event shall Hansen be required to provide an opportunity to cure with respect to more than one (1) Default in any consecutive twelve-month period.

c. Notwithstanding Section 7(a), this Agreement may be terminated by USCM prior to expiration of the Term in the event that Hansen fails to pay any amount due hereunder within ten (10) days of being notified by USCM in writing of Hansen's failure to make timely payment.

8. Obligations in the Event of Termination.

a. In the event that this Agreement is terminated by Hansen prior to the expiration of the Term or the Renewal Term in accordance with the terms hereof, then Hansen shall have the right, but not the obligation, to purchase and/or assume the lease of all (but not less than all) equipment used by USCM at the Facility for the purposes of repacking and handling of Hansen product. In the event that USCM owns equipment subject to purchase by Hansen in accordance herewith, the purchase price therefor shall be as mutually agreed to between the parties; provided, however, that if they do not agree, then the purchase price shall be determined by appraisal by Rabin Brothers Company. Hansen may assume a lease for equipment subject to acquisition by Hansen hereunder by assuming all payment obligations thereunder and indemnifying USCM for any claim of the lessor of such equipment.

b. In the event of any termination hereof, each party shall promptly return property belonging to the other.

9. Notices. Any notice, direction or instrument required or permitted to be given hereunder shall be given in writing by telegram, facsimile transmission or similar method if confirmed by mail as herein provided, by mail, if mailed postage prepaid, by certified mail, return receipt requested, or by hand delivery to any party at the address set forth below; and, if by telegram or facsimile transmission or similar method or by hand delivery, shall be deemed to have been given or made on the day on which it was given, and if mailed, shall be deemed to have been given or made on the fifth business day following the day after which it was mailed. Any party may, from time to time by like notice, give notice of any change of address, and in such event, the address of such parties shall be deemed to be changed accordingly. The address for each party is:

(a)	If to Hansen:	Mr. Hilton H. Schlosberg Vice Chairman Hansen Beverage Company 1010 Railroad St. Corona, CA 91720
	with a copy to:	Mr. Tom Kelly Hansen Beverage Company 1010 Railroad St. Corona, CA 91720
(b)	If to USCM:	Mr. David Williams President U.S. Continental Marketing, Inc. 1010 Railroad St. Corona, CA 91720
	with a copy to:	Daniel S. Latter 15760 Ventura Boulevard Suite 1010 Encino, CA 91436

10. Severability. In the event any provision of this Agreement shall be void or unenforceable for any reason whatsoever, then such provision shall be stricken and of no force and effect. The remaining provisions of this Agreement, however, shall continue in full force and effect, and to the extent required, shall be modified to preserve their validity.

11. Remedies Not Exclusive. Except as otherwise specifically provided, no remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise. The election by a party of any one or more remedies shall not constitute a waiver of the right to pursue other available remedies.

12. Compliance with Laws. The consummation of the transactions hereunder shall be subject to compliance with all applicable laws.

13. Expenses. Each party shall be responsible for its own expenses, including legal and accounting fees, in connection with this Agreement and any subsequent matters pertaining to the transactions contemplated hereby.

14. Governing Law. This Agreement shall be interpreted in accordance with, and governed by, the internal substantive laws of the State of California, without regard to the choice of law rules thereof.

15. Attorneys' Fees. If any action, arbitration or proceeding in contract or tort arising out of or relating to this Agreement is commenced by any party to this Agreement, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorneys' fees, costs (including court costs) and expenses incurred in the action or proceeding by the prevailing party, along with any reasonable attorneys' fees, costs (including court costs) and expenses incurred to collect any amount awarded in connection with any such action or proceeding.

16. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the making, performance, breach or interpretation thereof, shall be settled by binding arbitration in Orange County, California in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then existing. Any claim concerning whether a particular matter or issue is subject to arbitration in accordance herewith shall also be so determined by arbitration. The arbitration shall be held before a single arbitrator. Any award by the AAA shall be final and binding between the parties; and judgment on the arbitration award may be entered in any court having jurisdiction over the subject matter of the controversy. All parties may pursue discovery in accordance with California Code of Civil Procedure Section 1283.05, the provisions of which are incorporated herein by reference, with the following exceptions: (i) the parties hereto may conduct all discovery, including depositions for discovery purposes, without leave of the arbitrator; and (ii) all discovery shall be completed no later than the commencement of the arbitration hearing or one hundred twenty (120) calendar days after the date that a proper demand for arbitration is served, whichever occurs earlier, unless upon a showing of good cause, the arbitrator extends or shortens that period. Any disputes relating to such discovery will be resolved by the arbitrator. 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 arise out of or are related to this Agreement or the breach thereof, or the conduct of the parties in connection with this Agreement. The arbitrator shall have the power to award reasonable attorneys' fees and costs. Either party may submit the controversy or claim to arbitration.

17. No Assignment. USCM may not assign any of its rights or delegate any of its duties hereunder, without the prior written consent of Hansen, which consent may be withheld irrespective of the reason therefor; provided, however, that USCM may assign its duties and rights hereunder to a wholly owned subsidiary of USCM.

18. Entire Agreement; Amendment. This Agreement, including Exhibits, Schedules and other documents delivered pursuant to the terms hereof, constitutes the entire agreement between the parties pertaining to the subject matter contained herein and such agreements supersede any and all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties hereto. This Agreement may not be altered, modified, amended, canceled, rescinded, discharged or terminated, except by an instrument in writing signed by all parties hereto.

19. Multiple Counterparts; Facsimile Signature. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A signed copy of this Agreement delivered by facsimile transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

20. Headings. The headings of this Agreement are included for purposes of convenience only, do not constitute a part hereof and shall not affect the construction or interpretation of any of the provisions hereof.

21. All Terms Material. The parties hereby expressly acknowledge and agree that each and every term and condition of this Agreement is of the essence of this Agreement, constitutes a material part of the bargained-for consideration without which this Agreement would not have been executed and is a material part of this Agreement.

Thank you for your execution and return to USCM of this binding Agreement. USCM looks forward to a long mutually beneficial relationship with Hansen.

Very truly yours,

U.S. CONTINENTAL MARKETING, INC.,
a California corporation

By: /s/ DAVID WILLIAMS
_____
David Williams, President

ACCEPTED AND AGREED TO THIS
31st DAY OF AUGUST, 2000

HANSEN BEVERAGE COMPANY

By: /s/ RODNEY SACKS
_____
Rodney Sacks, Chairman

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 13, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to changes in accounting), appearing in the Annual Report on Form 10-K of Hansen Natural Corporation for the year ended December 31, 2002.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
March 28, 2003

July 28, 2000

Mr. Pat Kelly
Hi-Country - Corona, Inc.
355 North Joy Street
Corona, California 92879

Dear Pat:

I refer to our discussions regarding the proposed installation by you of a dedicated can line for our carbonated functional drinks in 8.2-oz. cans (the "8-oz. Line"). We understand that the design of that line is such that it contemplates being able to utilize certain sections of and equipment on your existing 11.5-oz. aluminum line.

I confirm that you have had a number of discussions with representatives from Ball and Mateus Sales Company to determine the layout for and correct equipment for such line and together have recommended to us what new/used equipment is necessary therefor. We have agreed to acquire certain specific items of the equipment that will be installed and utilized in that line, whilst you have agreed to acquire, install and utilize the minimum equipment necessary for that line and have to undertaken responsibility for the installation and commissioning of the 8.2-oz. Line including, but not limited to, mechanical and electrical installation of all equipment in the 8.2-oz. Line. You have also undertaken to operate, maintain and repair the entire Line in good condition, at your cost, on an ongoing basis.

The equipment that you have identified to be purchased by us for the 8.2-oz. Line from Mateus, which will be and remain our property, is as follows:

a. New can rinser with twist fittings.
b. Used Crown Cork and Seal UniBlend 40 valve with can filler Angelus 61H Seamer set for 202 x 211 cans.
c. Filler and seamer change parts for 200 x 202 cans.
d. Sander/Hansen Pasteurizer per proposal
e. Mechanical and electrical removal and reassembly of pasteurizer.
f. Estimated freight of pasteurizer based on five loads.
g. Mojonnier L485RP Carbo-Cooler with L Flo-mix.
h. Filtec FT-50 fill level inspector with ram reject.
i. Option for dud detection/low CO2 monitoring.
j. Change parts for used Standard Knapp Traymore 200 x 202 cans.
k. New table top conveyor system with controls.
l. New case conveyor

This equipment will be acquired by us directly from Mateus and be delivered and installed on the 8.2-oz. Line ("the Mateus equipment").

In addition, we will acquire from you, a standard Knapp Model 263 Traymore at a price of $____ and an AVP Shrink Bundler at a price of $____ (the "Hi-Country Equipment"). The Hi-Country Equipment will also be installed in the 8.2-oz. can line. We will pay you therefore by adding $0.05 to the packing fee for each 24-pack case of 8.2-oz. cans that are packed on the 8.2-oz. Line, until paid for in full.

Hi-Country undertakes to pack all of our requirements of 8.2-oz. products on the 8.2-oz. Line, up to the maximum production volumes that such Line is capable of producing. The 8.2 oz. Line will be dedicated to and be exclusively used for our 8.2-oz. products. That Line shall not be used to pack 8.2-oz. cans on behalf of any other parties without our prior written consent. In giving such consent we shall be entitled to require the payment by such parties to us of a royalty for the use of our equipment on the 8.2-oz. Line at a rate to be determined by us.

We confirm that it has been agreed that the pack fees that will be charged by you to us to pack our 8.2-oz. cans has been agreed at $____ per 24-pack case. This fee is based on a minimum of three (3) flavors per shift (eight and one half hours [8 1/2]). Included in the fee is the provision by you of pallet pads, stretch and/or shrink film. Pallets will be charged at cost plus 2.5%. Production yield guarantee (per single flavor) shall be as follows:

Loss Allowance	Ingredients	Packaging
Up to 8,000 Gallons	__%	__%
8,000-16,000 Gallons	__%	__%
16,000 Gallons plus	__%	__%

However, there will be no yield loss allowance to Hi-Country in respect of any ingredients or packaging supplied by Hi-Country.

We will supply ingredients and trays. However should we agree to any ingredients or packaging being supplied by Hi-Country, the same will be supplied at cost plus 2.5%.

Warehouse for products is not available and products will be moved within 24 hours after production.

CRV processing fee will be shown by Hi-Country as a separate line item on

invoice and remitted to the State of California, if applicable.

Terms: Weekly invoicing, Net 30-days.

This agreement will continue for a minimum period of seven (7) years. The pack fee will be subject to annual adjustment based on the lower of actual increase in direct costs incurred by you or increase in the CPI for the Riverside area.

Upon signature by you of this letter, you undertake to implement the necessary arrangements for the immediate installation and commissioning of the 8.2-oz. Line. We will place a firm order directly with Mateus for the equipment listed in (a) to (l) above, which will be delivered directly to your facility.

Upon the termination of this agreement for any reason, we shall be entitled to disconnect and remove all of the Mateus and Hi-Country equipment purchased by us and, to this end, you shall afford us and/or our representatives reasonable access to enable us to do so. We shall not be liable to pay any compensation to you in consequence of such removal.

If the terms of the proposed arrangements between us as set out above in this letter are acceptable to you, would you kindly sign a copy of this letter in the space indicated and return a signed copy to us.

Thank you for your kind assistance and cooperation.

Kind regards,

HANSEN BEVERAGE COMPANY

/s/ Rodney C. Sacks

Rodney C. Sacks
Chairman of the Board

AGREED AND ACCEPTED

HI-COUNTRY - CORONA, INC.

/s/ Patrick W. Kelly

July 28, 2000
Date

SPONSORSHIP & SERVICES AGREEMENT

This agreement ("Agreement"), dated as of March 7, 2003 is entered into by and between Hansen Beverage Company, 1010 Railroad Street, Corona, CA 92882, Attn: Mark Hall and Rodney Sacks ("Sponsor"), and C.C.R.L., LLC, c/o Vans, Inc., 15700 Shoemaker Avenue, Santa Fe Springs, CA 90670, Attn: Craig Gosselin, Esq. ("Company").

1. Term: The term of this Agreement (the "Term") shall run from the date of signature hereof through December 31, 2003, including, without limitation, over the entire North American summer leg of the Vans Warped Tour '03 (the "Tour"). Each concert date of the Tour performed in North America shall be referred to herein as a "Tour Date". The Tour is expected to have Tour Dates in not less than 42 different markets.

2. Sponsorship Fee:

(a) Sponsor shall pay to Company a sponsorship and services fee (the "Fee") of $____ as follows: (i) $____ on or before April 30, 2003; (ii) $____ on or before June 30, 2003; and (iii) $____ on or before August 15, 2003.

(b) (i) Sponsor shall provide reasonable quantities of the Sponsor branded product described below (collectively, the "Product") at each Tour Date during the Term up to the maximum amounts indicated below:

(A) up to _____ cases of assorted water product;
(B) up to _____ cases of assorted soda/juice product; and
(C) up to _____ cases of "Monster Energy"/Hansens energy product.

Company shall advise Sponsor of the adjusted quantities required from time to time in accordance with reasonable demand and usage thereof. During each year of the Tour, Sponsor shall deliver the Product, at its sole cost and expense, to no fewer than _____ venues, to be mutually designated by Company and Sponsor. Sponsor shall hire, pay and be solely responsible for one individual (the "Product Manager"), who shall be approved by Tour (such approval not to be unreasonably withheld) and who shall travel with the Tour and be responsible for the general disbursement of the Product, including stocking daily supplies of beverages at all tour stages. Notwithstanding the foregoing, Company shall provide transportation, lodging and meals for the Product Manager in accordance with subparagraph 5(f) below.

(ii) Sponsor shall have the option to provide additional Product for the kick-off party for the Tour, at Sponsor's sole cost and expense. If Sponsor intends to exercise such option, Sponsor shall notify Company by no later than March 15, 2003.

(iii) At either party's request, Sponsor and Company shall discuss the terms upon which Company and Sponsor may agree for Sponsor to provide additional Product to the Tour for use by artists and athletes backstage at the Tour and on artist and athlete buses, including reimbursement of Sponsor's actual costs therefore.

2A. Option: Provided that Company conducts the North America summer leg of the Vans Warped Tour in 2004 (the "2004 Tour") in substantially the same manner as the Vans Warped Tour '03, Sponsor shall have an option (the "Option") to be a Sponsor for the 2004 Tour on the same terms as apply herein with respect to the Tour (including without limitation with respect to subparagraph 2(b) above and paragraph 3 below), except that:

(a) in lieu of the fee provided for in subparagraph 2(a) above, Sponsor shall pay Company a Fee with respect to the 2004 Tour in the amount of $____, as follows: (i) $____ on or before March 31, 2004, (ii) $____ on or before April 30, 2004; (iii) $____ on or before June 30, 2004; and (iv) $____ on or before August 15, 2004; and

(b) if Company does not conduct the Ernie Ball Promotion (as defined in subparagraph 5(h) below) in 2004 in substantially the same manner as in 2003, Company shall provide Sponsor with participation in another promotion of comparable value on the Tour.

Sponsor may exercise the Option by giving notice to Company at any time on or prior to October 31, 2003.

3. Sponsorship/Nonexclusivity:

(a) Sponsor shall be an Associate Level sponsor for the Tour.

(b) Sponsor acknowledges and agrees that Sponsor is not the sole or exclusive sponsor of the Tour or any particular Tour event, and that Company shall be entitled to permit other persons or entities to act as sponsors of the Tour and/or any particular Tour event, or to refrain therefrom, in its sole discretion. Notwithstanding the foregoing, during the Term Sponsor shall have exclusivity for and be the exclusive sponsor for all beverages, excluding only "Yoo-Hoo" brand drinks, and which exclusivity includes, but is not limited to, all beverages in the in the "energy drink", "sports drink", "carbonated soft drink", "juice", "flavored water" and "water" categories and shall have the exclusive right during the Term to be known as the "Official Beverage of the

Vans Warped Tour 2003."

4. Control of Tour: Sponsor acknowledges that Company shall have sole and exclusive control over the concert performances, athletic exhibitions, and all other aspects of the Tour.

5. Sponsor's Promotional Entitlement:

(a) Sponsor shall be entitled to the following:

(i) Provided that Sponsor approves Company ad mats by March 15, 2003, Company shall include the name and/or logo of Sponsor for both the "monster" and Hansen's brands (both of which are referred to together as the "Mark") in substantially all full-page print advertisements created and/or placed directly by Company or under Company's control during the Term which relate solely to the Tour and embody the name(s) and/or logo(s) of substantially all other sponsors of the Tour. The size, style and location of the Mark in such advertisements shall be determined by Company, in its sole discretion, provided that Sponsor's logo shall be not less than approximately 25% smaller than the logo of any Title Sponsor appearing in such advertisements. The foregoing placements are expected to include, but not be limited to, placements in all co-sponsored media elements related to the Tour, including Alternative Press, Transworld (TW) Stance, TW Surf, TW BMX, TW Snowboarding, TW Skateboarding, TW Ride BMX, TW Motocross, Tour event posters and Tour press releases.

(ii) Company shall make available to Sponsor, at Company's sole cost and expense, either one (1) full-page or two half-page, four-color advertisement(s) in the official Tour program. Sponsor shall be solely responsible for providing all materials necessary for said advertisement(s) (i.e., layout design, concept, artwork, etc.), and shall deliver same, at Sponsor's sole cost and expense, to a location to be designated by Company, no later than April 15, 2003. At Sponsor's timely request, Company shall make additional ad pages available to Sponsor on an "at cost" basis.

(iii) Company shall conduct a street marketing campaign in select Tour markets designated by Company. Such street marketing campaigns will begin in such select markets approximately two (2) weeks prior to the date on which tickets for the Tour are first made available for sale in such market. Company shall include Sponsor's Mark on flyers and posters to be distributed as part of such marketing campaigns in high youth traffic areas and locations in the designated markets. If Sponsor desires to distribute samples of its products through such street marketing campaigns, Sponsor and Company shall agree on the terms and conditions on which Company shall provide for such distribution, including an additional charge to Company for such distribution.

(iv) Company shall use commercially reasonable efforts to facilitate incidental radio exposure for Sponsor when such exposure may be available through cross-promotional opportunities arranged by Company. An example of such a cross-promotional opportunity would be the distribution of Sponsor furnished gift bags to key radio stations in designated Tour markets.

(v) No inadvertent failure to incorporate the Mark or to otherwise reference Sponsor in any manner or location as provided in this subparagraph 5(a) shall be deemed a breach hereof, provided Company endeavors to prospectively cure such failure, if possible, following the Company becoming aware thereof. Notwithstanding the foregoing, should such failure be material, Sponsor shall be entitled to an equitable reduction in the Fee.

(b) Subject to the prior written approval of Company in each instance, which may not be unreasonably withheld or delayed, Sponsor shall have the right to identify itself as a sponsor of the Tour in its television, radio and/or print advertising; provided, however, that the Tour must in all instances be identified as the "Vans Warped Tour '03 - Presented by [TBD and TBD]", or as Company shall otherwise direct in writing.

(c) Subject to local legal restrictions, if any, (1) Sponsor shall have the nonexclusive right to post eight (8) banners (not to exceed 2' x 6' in size) (the "Banners") containing a mutually approved design incorporating the Mark, at each concert location of the Tour, which shall be erected by Company on Sponsor's behalf at all concert locations of the Tour; and (2) Company shall apply mutually approved designs incorporating each of the Marks (including size) on the Vert Ramps for skateboarding and FMX in mutually agreed positions, which will be similar to the positions and size allocated to the previous beverage sponsor of the Tour in 2002. The specific location, placement and all other aspects of the display of the Banners shall be subject to Company's approval, provided that Company shall use commercially reasonable efforts to cause such banners o be displayed in high traffic locations at Tour venues. Sponsor shall be solely responsible for all costs and expenses associated with the creation of the Banners and materials to be applied to the Ramps and shall, at Sponsor's sole cost and expense, deliver the Banners, along with all other materials which Sponsor intends to be transported by Company in accordance with paragraph (d), below, to Company where and as directed by Company, by no later than June 1, 2003. Company shall have no liability whatsoever for any loss of or damage to the Banners posted by Sponsor at concert locations of the Tour, and shall have no obligation to return any Banners to Sponsor upon the conclusion of the Tour.

(d) Company shall provide to Sponsor ground space approximately 20' by 20' in size or larger, if required to accommodate Sponsor's climbing wall, for an enclosed tent or other approved Sponsor experience at each concert location of the Tour (the "Sponsor Tent"), which Sponsor Tent and wall shall be provided by Sponsor. Sponsor may hang banners and conduct approved patron participation activities within the Sponsor Tent; provided, however, that none of the foregoing activities shall involve the display or distribution of footwear, snowboard boots or bindings, wearing apparel, any product on which appears the name and/or logo of the Tour (or any artwork, trademarks or service marks

associated therewith), or violate any rights held by other sponsors of the Tour of which Sponsor has been advised. Sponsor may also distribute approved free 4-ounce samples of Sponsor's beverages and approved promotional materials, and conduct approved free product/merchandise give-a-ways within the Sponsor Tent. All such materials and plans will be submitted by Sponsor to Company for approval by Company (and where appropriate the Venue operators) by April 20, 2003. All costs associated with the creation, operation and management of the Sponsor Tent and wall, and any activities conducted therein, including (without limitation) the set up, break down and staffing of the Sponsor Tent and wall, shall be borne solely by Sponsor, except that Company shall provide for internal transportation of the Sponsor Tent and wall, and a reasonable volume of Sponsor's property and materials used in connection therewith, from the location of the first concert of the Tour through the location of the last concert of the Tour, provided that the Sponsor Tent and wall shall fold up into a space no more than 10' by 14' and be able to fit in the back of a standard semi-truck. Company shall have no liability whatsoever for any injuries to persons, or loss or damage to property arising out of or in any way related to the Sponsor Tent, or to any property, materials, products and/or merchandise which Sponsor uses, distributes and/or exhibits in the Sponsor Tent, or otherwise, at concert locations during the Tour.

(e) Sponsor shall not sell merchandise of any kind at Tour venues, whether in the Sponsor Tent or otherwise, without the prior written permission of Company. To the extent Company approves of Sponsor's sale of any merchandise, including but not limited to sampler compact discs, Sponsor shall be solely responsible for any and all costs and expenses relating to the creation, shipping, transportation, and vending of such merchandise. Without limiting the generality of the preceding sentence, Sponsor shall be solely responsible for any and all "hall," "vendor," and other fees or amounts charged by any promoters or venue operators in connection with the sale of merchandise, and shall be obligated to pay the same fees as those paid by the artists performing on the Tour in respect of their own merchandise sales. Sponsor shall not endeavor in any way to negotiate or barter for lower "hall" or "vendor" fees than those imposed upon Company and the artists performing on the Tour.

(f) Company shall provide daily meals, internal ground transportation to each concert location of each Tour, and nightly lodging on a Tour bus or in a hotel on off days (along with the staff and crew of the Tour) for the Product Manager and two (2) other representatives of Sponsor. In the event that Sponsor desires Company to provide daily meals, internal ground transportation and nightly lodging for additional representatives of Sponsor, Company shall provide such services for an additional fee of $____ per person for each year of the Tour, provided that Sponsor has given Company adequate notice thereof and subject to any applicable space limitations of the Tour. Sponsor shall pay Company such amount within 10 days of Sponsor's request for such additional slot. As between Company and Sponsor, Sponsor shall be solely responsible for transporting its representative to and from the first and last concert venues of the Tour, respectively. Sponsor acknowledges that Company shall have no liability for any injuries to persons or loss or damage to property arising out of or in any way related to said Tour bus (including, without limitation, theft of the Tour bus or any accident in which the Tour bus is involved), regardless of Company's culpability in connection therewith.

(g) Company shall provide Sponsor with the following tickets:

(i) twenty (20) complimentary general admission tickets for each Tour Date for use by Sponsor as trade giveaways, employee incentive or other promotional purposes. These tickets will be provided to Sponsor in bulk, approximately three (3) weeks prior to the commencement of the Tour; and

(ii) ten (10) Partner Privilege Passes for giveaways or employee incentives for each Tour Date. Company will work with Sponsor in select markets to provided Sponsor with additional Partner Privilege Passes.

Sponsor will be responsible for all further distribution of the foregoing tickets and passes. All tickets and passes provided to Sponsor hereunder shall be for Sponsor's business and promotional use only, and may not be resold under any circumstances.

(h) Sponsor shall participate in the Ernie Ball "Battle of the Bands" 7 Promotion (the "Ernie Ball Promotion") in connection with the Tour in accordance with and which promotion shall be conducted substantially as set forth in Exhibit A hereto, with such modifications as may be necessary to comply with artist or venue requirements or to comply with local laws.

(i) (A) During the period commencing on the launch of warpedtour.com (the "Tour Site") for the Tour and continuing throughout the Term, Company shall make available to Sponsor one (1) banner advertisement on the Tour Website. Such banner advertisement shall be equivalent in size to that being provided to other associate sponsors of the Tour, and such banner advertisement shall rotate among Sponsor and other Tour sponsors throughout the duration of the Term. It is anticipated that Company shall launch the Tour Website on or around February 1, 2003. Sponsor shall provide banner artwork and logo to Company promptly after its execution of this agreement.

(B) Throughout the Term, Sponsor shall provide "click through" buttons to vans.com and the Tour Website on the home page of its primary website (the "Sponsor Website), and Company shall cause vans.com and the Tour Website to provide a "click through" button to the Sponsor Website on each such site throughout the Term.

(j) During the Term, Sponsor shall have the right to purchase a limited amount (such amount to be mutually determined by Sponsor and Company) of Company's generally available retail products at the actual landed f/o/b price plus shipping and on an "as-is" basis. Payment for all such product shall be made to Company in advance and all such product shall be used solely for distribution to employees directly involved in the Tour or for distribution to Sponsor's employees as incentives. Such product will not be resold under any circumstances.

6. Company's Use of Sponsor's Materials: Except as expressly set forth herein, Company shall have the right, but not the obligation, to use the Mark and any other trade-name(s), trademark(s) and/or logo(s) of Sponsor in connection with: (i) any and all advertising and promotion of the Tour; (ii) any and all Tour merchandise created and sold or otherwise distributed by Company; (iii) any phonorecords and/or audiovisual works relating to the Tour, including (without limitation) those featuring musical, athletic and/or other performances or footage from the Tour; and (iv) any and all news items, press releases and/or other information in any media relating to the Tour.

7. Cancellation of the Tour: In the event that, as of the conclusion of the Tour less than forty-two (42) concerts have been held, Sponsor's sole remedy shall be to receive a refund in an amount equal to the Fee multiplied by a fraction, the numerator of which fraction shall be the difference between forty-two (42) and the actual number of concerts of the Tour, and the denominator of which fraction shall be forty-two (42).

8. Warranties/Representations/Indemnity/Insurance:

(a) Each party represents and warrants that it has the right, power and authority to enter into this Agreement, to grant the rights granted herein and to perform the duties and obligations described herein. Sponsor represents and warrants that every person who shall perform services for or on behalf of Sponsor in connection with the Tour is at least eighteen (18) years old as of the date hereof.

(b) Sponsor represents and warrants that it shall obtain and/or maintain adequate advertising and liability insurance policies during the Term to cover all activities undertaken by or on behalf of Sponsor in connection with the Tour, including but not limited to the operation of the Sponsor Tent and the visitation thereof by Tour patrons. Company, Vans, Inc., Codikow, Carroll, Guido & Groffman, LLP, 4 Fini Inc., Creative Artist Agency, LLC and Kevin Lyman, and all of their respective members, agents, employees, licensees and assigns, shall be named as an additional insured on each of Sponsor's insurance policies relating to injuries to persons or property including, but not limited to, comprehensive general and public liability insurance, which policies shall be free of encumbrance(s) in the amount of at least Three Million Dollars ($3,000,000.00) for personal injury and Three Million Dollars ($3,000,000.00) for property damage, and shall be issued from qualified insurance carriers currently rated A minus or better by A.M. Best Company. Sponsor shall also obtain and/or maintain appropriate Workers Compensation Insurance for all personnel providing services to or on behalf of Sponsor in connection with the Tour or who are otherwise present at Tour venues on behalf of Sponsor. Sponsor shall provide Company with certificates of each of the foregoing insurance policies no later than thirty (30) days prior to commencement of the Tour. Sponsor further warrants and represents that it shall comply with any local laws, tariffs, taxes and/or customs requirements, and shall be solely responsible for any and all payments which may be due in connection therewith.

(c) Company agrees to indemnify, defend and hold Sponsor and its officers, directors, agents, representatives, shareholders and employees harmless from and against any and all claims, suits, expenses, damages or other liabilities, including reasonable attorney's fees and court costs, arising out of: (i) the breach by Company of any of the representations and warranties made by Company in this Agreement; (ii) any personal injury or property damage arising out of or in connection with the Tour; and/or (iii) any activity by or on behalf of Company in connection with the Tour; provided, however, the foregoing indemnity shall not apply to any claims, suits, expenses, damages or other liabilities, which arise out of, relate to, or are contributed to by any act or omission of Sponsor.

(d) Sponsor agrees to defend, indemnify, and hold Company, performers engaged by Company, all other sponsors of the Tour, and all of their respective officers, directors, agents, representatives, shareholders and employees, harmless from and against any and all claims, suits, expenses, damages or other liabilities, including reasonable attorney's fees and court costs, arising out of: (i) the breach by Sponsor of any of the representations or warranties made by Sponsor in this Agreement; (ii) the use by Company, its respective agents and/or assigns, of any materials supplied by Sponsor hereunder, including (without limitation) any signage, banners, names, trademarks, service marks, trade-names or logos; and (iii) any action of any kind, including (without limitation) any action for personal injury or property damage in respect of or concerning any material, product or service offered or supplied by Sponsor hereunder or any activity occurring in or in connection with the Sponsor Tent or otherwise conducted or undertaken by or on behalf of Sponsor in connection with the Tour.

9. Miscellaneous:

(a) Sponsor acknowledges that all rights in and to the Tour, Company's name and logo, the name and logo of the Tour, and all artwork, trademarks, service marks and all goodwill associated therewith shall be owned and controlled exclusively by Company, and Sponsor shall have no right, title or interest therein or thereto. Similarly, Company acknowledges that all rights in and to both of the Marks and all other trademarks owned by the Sponsor, including but not limited to, the name and logos of the Sponsor and all artwork, trademarks, service marks and all goodwill associated therewith shall be owned and controlled exclusively by Sponsor, and Company shall have no right, title or interest therein or thereto

(b) Notices by either party to the other shall be given by personal service, by registered or certified mail, return receipt requested, or by private overnight mail courier services, to the respective addresses set forth on page 1, above.

(c) If any provision of this Agreement is declared invalid as contrary to law or public policy, the remaining provisions hereof shall continue to remain in full force and effect.

(d) The validity, enforceability, and interpretation of this Agreement shall be determined in accordance with the laws of the State of California.

(e) A waiver of a breach or default will not constitute a waiver of any terms or conditions of this Agreement or of any subsequent similar breach or default.

(f) Except as otherwise provided in this Agreement, no representations, warranties, or guarantees of either party not contained in this Agreement shall be binding on the parties.

(g) All Exhibits which are attached hereto are incorporated herein by reference.

(h) Any dispute, controversy or claim arising out of or relating to this Agreement or the breach or termination hereof shall be settled by binding arbitration conducted by JAMS/Endispute ("JAMS") in accordance with JAMS Comprehensive Arbitration Rules and Procedures (the "Rules"). The arbitration shall be heard by one arbitrator to be selected in accordance with the Rules in Orange County, California. Judgment upon any award rendered may be entered in any court having jurisdiction thereof. Within 7 calendar days after appointment the arbitrator shall set the hearing date, which shall be within 90 days after the filing date of the demand for arbitration unless a later date is required for good cause shown and shall order a mutual exchange of what he/she determines to be relevant documents and the dates thereafter for the taking of up to a maximum of 5 depositions by each party to last no more than 2 days in aggregate for each party. Both parties waive the right, if any, to obtain any award for exemplary or punitive damages or any other amount for the purpose or imposing a penalty from the other in any arbitration or judicial proceeding or other adjudication arising out of or with respect to this Agreement, or any breach hereof, including any claim that said Agreement, or any part hereof, is invalid, illegal or otherwise voidable or void. In addition to all other relief, the arbitrator shall have the power to award reasonable attorney's fees to the prevailing party. The arbitrator shall make his or her award no later than 7 calendar days after the close of evidence or the submission of final briefs, whichever occurs later.

(i) Neither party shall be liable for any failure of or delay in the performance of their respective obligations under this Agreement to the extent such failure or delay is due to circumstances beyond its reasonable control, including (without limitation) acts of God or a public enemy including, but not limited to floods, wars, civil disturbances, sabotage, accidents, insurrections, blockades, embargoes, storms, explosions, labor disputes and/or acts of any governmental body, nor shall any such failure or delay give either party the right to terminate this Agreement.

(k) No breach by either party hereof shall be deemed material unless the other party shall give written notice of such purported breach to the breaching party and the breaching party has not cured such breach within seven (7) business days after receipt of such notice.

(l) This Agreement shall not be deemed to create any joint venture, partnership or agency between the parties hereto. It is understood that each party to this Agreement shall be independent of the other and that neither party shall have the right or authority to bind the other party.

(m) This Agreement constitutes the complete agreement between the parties hereto on the subject matter hereof, and all prior or contemporaneous agreements between the parties, whether oral or written, shall be deemed merged herein. This Agreement may not be modified or amended except by a written instrument duly executed by the party to be charged.

(n) Sponsor shall not have the right to assign, sell, lease, license or sublicense, in whole or in part, any of its rights or obligations hereunder, including (without limitation) Sponsor's right to post signage and hang banners at Tour concerts (including in and about the Sponsor Tent), and Sponsor's right to ground space for and to conduct activities in the Sponsor Tent at Tour concerts.

AGREED AND ACCEPTED:

C.C.R.L., LLC
By: VANS, INC., Managing Member

By: /s/CRAIG GOSSELIN

An authorized signatory

AGREED AND ACCEPTED:

HANSEN BEVERAGE COMPANY

By: /s/RODNEY C. SACKS

Rodney C. Sacks
Chief Executive Officer/Chairman

EXHIBIT A

Monster Energy / ERNIE BALL "Battle of the Bands" 7

In 2003, Sponsor's Monster Energy beverage will become an integral part of the ERNIE BALL Battle of the Bands 7 promotion (the "Promotion").

I. Monster Energy / ERNIE BALL Battle of the Bands 7 will be the largest and longest-running promotion of its kind.

II. The annual Monster Energy / ERNIE BALL Battle of the Bands will be held March through September in conjunction with and as an integral part of the 2003 Vans Warped Tour.

III. Approximately 12,000 bands have entered the competition during the past six years with hundreds of young, up-and-coming bands given the opportunity to showcase their talents, live, in front of thousands of fans.

IV. Each band's music is exposed to hundreds of thousands of music enthusiasts who vote for their favorite band on the Monster Energy / ERNIE BALL Battle Web site.

V. More than 2 million online votes were cast during 2002's Battle of the Bands 6.

An intricate part of Monster Energy / ERNIE BALL Battle of the Bands 7 promotion is Ernie Ball's Local Heroes Mobile Stage. Designed and built by Ernie Ball's engineering and manufacturing departments in Spring 2000, the stage is completely self-contained including:

15kV diesel generator

30,000 watt EV sound system

Back-line (DW Drums, Line 6 Amps, Zildjian cymbals, Hartke Bass Amps, Yamaha keyboards)

Lights

Crew

At the flick of a switch, the stage is cranking out music (set-up time is approximately 45 minutes).

Some 3,000 bands have performed on the stage to all-age crowds throughout North America.

The stage also doubles as a "traveling billboard" and has logged 94,000 miles in 27 months.

The outdoor advertising industry estimates 600 impressions per mile traveled for some 56,000,000 impressions thus far.

This stage will be named the Monster Energy / ERNIE BALL Stage on the 2003 Vans Warped Tour.

THE PROMOTION:

Monster Energy / ERNIE BALL Battle of the Bands 7

On-site Stage and Promotion

Monster Energy (Sponsor) can use the promotion's logos and marks in its promotional activities on-pack and at retail in accordance with the terms hereof.

Monster Energy logo will be prominently displayed on exterior panels of the stage and also on the marquee above the stage during all performances on the terms set forth herein.

Opportunity exists to integrate Monster Energy on-site presence at the Tour next to Monster Energy / ERNIE BALL Stage.

Logo Integration and Usage

Monster Energy logo will be prominently incorporated in Monster Energy / ERNIE BALL Battle of the Bands 7 logo artwork. Artwork will be created by Ernie Ball's award winning art department and approved by Sponsor.

Monster Energy logo will be prominently displayed on exterior panels of the stage and also on the marquee above the stage during all performances of the Promotion in North America. The exact size, location and placement of the Monster Energy logo shall be determined by Company, in Company's sole discretion.

Company's inadvertent failure to incorporate the Monster Energy logo or to otherwise reference Sponsor in any manner or location as provided in this Exhibit A shall not be deemed a breach hereof, provided Company endeavors to prospectively cure such failure, if possible, following the Company becoming aware thereof. Notwithstanding the foregoing, should such failure be material, Sponsor shall be entitled to an equitable reduction in the Fee.

Media Exposure

Monster Energy's participation will be mentioned in all Promotion press releases.

During Battle 6 more than 55 separate press releases were sent to 1,149 news organizations in 48 markets receiving 30 confirmed hard copy printings and posts on more than 114 Web-sites.

Press releases are sent to announce contest and later to promote bands performing on the stage in each market.

Monster Energy / ERNIE BALL Battle of the Bands 7 will be advertised in:

Print
Guitar World Magazine
4 full-page, four color ads= 214,000 circulation
Pass-around= 1.6M impressions

Additional periodicals are being negotiated with

Posters
Displayed in approximately 5,500 Monster Energy retailers in North America.
Average of 20 customers per day for 90 days = 9.9M impressions

On-line

Direct Emails: Ernie Ball has access to a database of some 12,000 previous Battle of the Bands contestants with average of four (4) members per band. Subject to applicable legal restrictions and privacy policies, Ernie Ball will send a reasonable number of e-mails to such database on behalf of Sponsor during the Term. The content of such e-mails shall be subject to the approval of Ernie Ball which approval shall not be unreasonably withheld.

Monster Energy will receive one banner advertisement on www.ernieball.com for the length of Promotion.

Battle 6 (http://battle.ernieball.com/bb6/) is still live showing last year's entries. The 2002 Battle of the Bands 6 website activity included 118,000 unique visitors, 5 million page views, and 15 million hits.

Links will be provided between Monster Energy, Ernie Ball and the official Vans Warped Tour Web sites

The Finale

The Monster Energy / Ernie Ball Battle of the Bands 7 will culminate in a final competition between the top four bands at The Key Club nightclub on Sunset Boulevard in Los Angeles.

Four bands will be provided with a scholarship fund of $1,000.00 to be used for travel to Los Angeles for the final competition. Bands will be instructed: here's $1,000.00. Get yourselves to Los Angeles.

Company will create and mail a formal invite to record labels and music press to attend the competition at the Key Club

Company will record each band's performance and provide them with a high quality DVD

Company will provide a Web cast of the Key Club party / competition to be broadcast live on the Monster Energy Web-site

Monster Energy / ERNIE BALL Battle of the Bands 7 Timeline

March 2003
- Ads appear in Guitar World
- Emails campaign begin
- In-store posters are distributed
- In-packs distributed
- Monster Energy / ERNIE BALL Battle of the Bands 7 websites begins online registration

May 2003
- On-line Registration ends
- Bands selected to play at Vans Warped Tour are notified and provided street-marketing information to promote their performance, VWT, and Monster Energy / Ernie Ball Battle of the Bands 7

June 15, 2003
Monster Energy / Ernie Ball Battle of the Bands 7 online voting begins
Second stage of press releases
Street-marketing begins

June 18, 2003
2003 Vans Warped Tour begins
Local Heroes Mobile Stage hits the road

August 2003
Vans Warped Tour ends

September 9, 2003
Monster Energy / Ernie Ball Battle of the Bands online voting ends

Approximately Mid-September, 2003
Four finalists are selected to perform at the Key Club in Los Angeles

PUBLIC RELATIONS AGREEMENT

This public relations services agreement is entered into on this 18th day of March, 2003, by Reach Group Communications, LLC ("Reach"), a Nevada Limited Liability Company, and Hansen Beverage Company, a Delaware Corporation ("Hansen's").

Scope of Work

The services that will be provided by Reach to Hansen's are described in Exhibit 1 and 2.

Budget and Payment Terms

It is agreed that the total budget to provide the services described in Exhibit 1 and Exhibit 2 is $____.

First Payment: The first payment of $____ is due on or before Friday, March 21, 2003.

Second Payment: The second payment of $____ is due on or before Tuesday, April 1, 2003.

Third Payment: The third payment of $____ is due on or before Tuesday, April 15, 2003.

Fourth Payment: The third payment of $____ is due on or before Wednesday, April 30, 2003.

After the payments listed above are made, a balance of $____ will be allocated by Hansen's to Reach Group for PR services. Specific services and monthly allocation of the balance will be mutually agreed upon by Reach and Hansen's from time to time as and when rendered.

It is agreed that Reach may not commence work on this project until the first payment is received and may, at its sole discretion, suspend work until the first payment or any progress payments are received. If payments are late Reach will notify Hansen's by e-mail or fax if payments and request payment to be made within three business days prior to suspending work. Suspension of the project may result in a revised project completion date.

Additional Expenses

Pre-approved additional expenses may be submitted to Hansen's by Reach Group for a period of up to 90 days after the completion of your projects. All payments for additional expenses are due net 10 days.

Cancellation Policy

With the exception of the New York and Las Vegas media events, Reach and Hansen's may terminate this agreement at will upon 30 days written notice. Hansen's will be responsible for service payment(s) during the 30-day cancellation period. All monies due to Reach from Hansen's for all completed work and any cancellation fees from Reach subcontractors will be paid upon termination notification in full. Work completed by Reach will not be released to the Hansen's until cancellation fees and all outstanding balances have been paid in full. Cancellation charges will be as follows:

Copyrights

Reach is an independent contractor to Hansen's for all services contained herein and in future projects unless specifically agreed otherwise in writing.

Hansen's retains the ownership and copyrights for all text, graphics, artwork, audio and video content on all projects created for or provided by Hansen's. Hansen's has exclusive rights of ownership, assignments, licensing and use of this content, as well as the right to create derivative works of this content unless the work, video, programming scripts, etc., are the intellectual or other property of a third party.

Unless specified otherwise under separate agreement, Reach grants indefinitely to Hansen's the right to use any work created by Reach unless said work is already established as the Intellectual Property of a third party. Reach retains the ownership of these operating elements and may use them in other projects not related to the asset created for Hansen's.

Attorney's Fees

Except as set forth below, each party to this agreement shall bear its own attorney fees. If any party to this agreement initiates any litigation to enforce any of the provisions of this Agreement, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees and costs as set by the court.

SIGNATURE: HANSEN BEVERAGE COMPANY

The undersigned acknowledges that he/she has full authority to bind Hansen Beverage Company, financially or otherwise, to this contract and agrees to all aspects of this agreement and its exhibits.

Agreed: /s/ RODNEY C. SACKS

Print
Name: Rodney C. Sacks

Print
Title: Chief Executive Officer/Chairman

Date: March 18, 2003

SIGNATURE: REACH COMMUNICATIONS GROUP, LLC

The undersigned acknowledges that he/she has full authority to bind Hansen Beverage Company, financially or otherwise, to this contract and agrees to all aspects of this agreement and its exhibits.

Agreed: /s/ PATRICK A. PHARRIS

Financially Authorized Representative of Reach Communications Group, LLC

Print
Name: Patrick A. Pharris

Print
Title: Partner & President

Date: March 18, 2003

Hansen's Monster Energy Drink
Public Relations Initiatives for the Las Vegas Monorail
As of March 14, 2003

Exhibit 1

NEW YORK UNVEILING

The Hansen's Monster Energy Drink train will be the first advertiser-themed train of the Las Vegas Monorail.

While this four-car train is expected to make its journey across the United States from the Bombardier manufacturing facility in Kingston, Ontario, Canada on four separate flat-bed semi trucks, the second nose-car of the train, will be Monster-branded and make one detour to Manhattan, New York where a major media event will take place.

o Event Date

The event in New York will take place on Wednesday, April 23, 2003.

o Location

As allowable by New York City permitting, the event will take place in one of the following locations: Wall Street, in front of the NYSE building; Rockefeller Plaza; Time Square or Central Park.

o Event Creative Concept

The Hansen's Monster Energy Drink-themed train of the Las Vegas Monorail will be unveiled in a spectacular visual media event in Manhattan, New York. During the unveiling ceremony, the monorail car will be covered with a shroud bearing the Monster and Las Vegas Monorail logos. A Las Vegas-themed skyline backdrop/facade will rise from behind the monorail car (pending). Las Vegas-style music will play on a public address system while several showgirls saunter out from behind the semi truck. The showgirls will escort the Chairman of the Las Vegas Monorail Company and the President of Bombardier to the podium from where will make short introduction announcements (not to exceed 2-minutes each) to dozens of television, radio, print and Internet news reporters, VIPs, invited members of the investment community and the general public. The Chairman of the LV Monorail Company will then publicly introduce, congratulate and welcome the Chairman of Hansen's who will also make a few short comments and show on a

large video screen, an animation of the Hansen's-Monster train as it travels down the monorail route through Las Vegas. Then, with the assistance of one showgirl, Hansen's Chairman will "pull the arm of an unveiling slot machine" which will suddenly remove the shroud to unveil the first corporate-themed train of the Las Vegas Monorail. More than 1000 helium balloons will rise from behind the Las Vegas-themed facade and confetti cannons will fire confetti simultaneously into the air above the train. Music will commence once again.

Immediately following the visual event the Chairman of Hansen's, the Chairman of the Las Vegas Monorail and the President of Bombardier participate in the dozens of interviews described above.

o Anticipated Media Participation

The event will primarily feature an unveiling of the train car and a live tour of the car by the hosts or primary reporter of NBC's The Today Show, ABC's Good Morning America or CBS' The Morning Show. Additional media tours of the Monster-themed monorail car and interviews with the Chairman of Hansen's, the Chairman of the Las Vegas Monorail Company and the President of Bombardier will be conducted by dozens of newspaper, magazine, television and radio reporters who are expected to attend the event and tour the car throughout the day.

o Media Outreach

Hundreds of hours will be dedicated to the pitching and placement of newspaper, magazine, Internet and radio interviews. A Video News Release will be produced on site and made available via satellite to every television station in North America and to the domestic news bureaus of the top 10 international television news services. Live television interviews will be conducted on site via satellite with television stations from the primary target markets of Las Vegas and Hansen's. A feature press release will be distributed nationally on Business Wire, PR Newswire or Internet Wire and a news photo stringer will be retained to distribute photos of the event on several news wire services. The Las Vegas Convention and Visitors Authority will be approached by Reach Group to assist in the media outreach effort through the distribution of press documents and photographs via the Las Vegas News Bureau.

LAS VEGAS ARRIVAL

When the Hansen's Monster-themed monorail train nose car arrives on a flatbed semi truck in Las Vegas it will be greeted with grand Las Vegas-style fanfare.

o Event Date

The event in Las Vegas will take place on Wednesday, April 30, 2003.

o Location

The event will take place in the parking lot adjacent to the monorail "barn" which is located on the corner of Paradise Drive and Sahara Boulevard. This is the same location at which the Las Vegas Monorail Ground Breaking Ceremony took place in August of 2001.

o Event Creative Concept

The semi truck carrying the Monster-imaged train will drive slowly into the parking lot and drive through or under a Las Vegas / Las Vegas Monorail / Monster-themed banner. On the other side of the banner hundreds of applauding business leaders, federal, state and local elected officials, executives from the companies that have built the monorail and media representatives will applaud the arrival. The semi will pull up to a staging area where presentations will be made by the Governor of Nevada, the Chairman of the Las Vegas Monorail Company, the Chairman of Hansen's and the President of Bombardier (each not to exceed 2 minutes). Upon conclusion of the presentation, an animation of the Hansen's-Monster train as it travels down the monorail route through Las Vegas will be shown on a large video screen to everyone in attendance.

When the video has concluded, Las Vegas-style music will play on the public address system and a dozen showgirls will emerge from behind the train to set the stage for the next visual event.

The Chairman of Hansen's, along with one showgirl, will crash an oversized can of Monster (made of sugar and larger than a Champagne Magnum) on the front of the monorail train proclaiming the particular train the "advertiser-named" train (for purposes of the bond covenants, this naming designation will not be an official naming of the car). Simultaneous with the Monster can crash, Roman Candle-style fireworks will shoot 20 to 30-feet into the sky, 1,000 helium balloons will be released and confetti cannons will shoot into the air above the train and staging area.

o Media Outreach

Hundreds of hours will be dedicated to the pitching and placement of newspaper, magazine, Internet and radio interviews. A Video News Release will be produced on site and made available via satellite to every television station in North America and to the domestic news bureaus of the top 10 international television news services. Live television interviews will be conducted on site via satellite with television stations from the primary target markets of Las Vegas and Hansen's. A feature press release will be distributed nationally on Business Wire, PR Newswire or Internet Wire and a news photo stringer will be retained to distribute photos of the event on several news wire services. The Las Vegas Convention and Visitors Authority will be approached by Reach Group to assist in the media outreach effort through the distribution of press documents and photographs via the Las Vegas News Bureau.

POST-EVENT MEDIA OUTREACH

From the conclusion of the New York and Las Vegas media events and throughout 2004, an on-going effort of media follow-up and new media outreach will be conducted by Reach Group on behalf of Hansen's Monster Energy Drink. These initiatives, which will be developed after the events in New York and Las Vegas, are planned to be conducted in cooperation with the Las Vegas Monorail and as appropriate, with the participating casino resorts, the Las Vegas Convention and Visitors Authority, and the retailers and promotional partners of Hansen's Monster Energy Drink.

CAMPAIGN GOALS

The overall goal of the Hansen's - Monster Las Vegas Monorail public relations campaign is:

o To promote Hansen's Monster product as the first advertiser of the Las Vegas Monorail.

o To generate substantial media coverage and thereby consumer awareness of the Monster brand.

- To leverage the news value of the Las Vegas Monorail to the benefit of the Monster train as the first train on the track and throughout the monorail test period and the term of the Monster contract.

- To generate the quantity and quality of pre-opening public awareness and media coverage necessary to help generate the projected 40+ million rides of the Las Vegas Monorail.

- To position the Las Vegas Monorail as "the" icon in Las Vegas that is a "must-experience" attraction as well as the most efficient means of transportation in "the most visited city in the world".

- To build a "ground swell" of media coverage that will inform consumers, the travel industry, the business community, the financial community and local residents about the features and benefits of the Las Vegas Monorail.

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of February 1, 1999, by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Tim M. Welch ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock").

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 72,000 shares of Common Stock, at the purchase price of $4.44 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Natural Group") unless the employment is terminated by a member of the Hansen Natural Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Natural Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(c) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations or satisfactorily perform his duties of employment, insubordination or drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, and provided that Holder is employed by a member of the Hansen Natural Group on the relevant date, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

Column "A" Number of Shares	Column "B" Exercise Date
14,400	February 2, 2000
14,400	February 2, 2001
14,400	February 2, 2002
14,400	February 2, 2003
14,400	February 2, 2004

(b) This ISO may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(c) Notwithstanding anything else herein to the contrary, this ISO shall expire six years from the date indicated above.

(d) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in either of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $8,000, assuming exercise price of $2.00 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,600 shares of Common Stock to the Company.)

(c) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers ("NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability.This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. (a) Adjustments.In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the ISO and their purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split the kind of shares, their purchase price per share and the number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustment so made shall be final and binding on Holder. No adjustments shall be made that would have the effect of modifying an ISO under Internal Revenue Code ss.ss. 422 and 424.

(b) Notwithstanding anything else herein to the contrary if, within a period of two (2) years after the occurrence of a change in control (as defined in (c) below), the Holder's employment by the Hansen Natural group is terminated (unless his employment is terminated by the Hansen Natural group for cause (as defined above) or unless his employment is terminated voluntarily by Holder), the option or any portion thereof not theretofore exercisable, shall immediately become exercisable in its entirety and the option (being the option to purchase shares of Common Stock subject to the applicable provisions of the Plan and awarded in accordance with the Plan in terms of Section 1 above) may, with the consent of Holder, be purchased by the Company for cash at a price equal to the fair market value (as defined in 7(ii) below) less the purchase price payable by Holder to exercise the option as set out in Article 1 above for one share of Common Stock of the Company multiplied by the number of shares of Common Stock which Holder has the option to purchase in terms of Article 1 above.

(c) For the purposes of this Agreement (i) "Change in Control" means; (A) the acquisition of "Beneficial Ownership" by any person (as defined in rule 13(d) - 3 under the Securities Exchange Act 1934), corporation or other entity other than the Company or a wholly owned subsidiary of the Company of 20% or more of the outstanding Stock, (B)the sale or disposition of substantially all of the assets of the Company, or (C)the merger of the Company with another corporation in which the Common Stock of the Company is no longer outstanding after such merger. (ii) "Fair Market Value" means, as of any date, the Closing Price for one share of the common Stock of the company on such date.

8. No Rights as Stockholder.Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

9. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Natural Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

10. Compliance With Law and Regulation.This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

11. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

12. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

13. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 2380 Railroad Street, Suite 101, Corona, California 91720, Attention: Rodney C. Sacks with a copy to Benjamin Polk, Whitman Breed Abbott & Morgan, 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

14. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

15. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By:/s/RODNEY SACKS

Title: Chairman of the Board

/s/TIM M. WELCH 2/2/99
- ---
Tim M. Welch

STOCK OPTION ADDENDUM AGREEMENT

This Addendum Agreement is made as of September 25, 2000, by and between Hansen Natural Corporation, a Delaware corporation (the "Company") and Tim M. Welch ("Holder").

Preliminary Recitals

A. The Holder and Company entered into a Stock Option Agreement (the "Stock Option Agreement") as of February 1, 1999.

B. Articles 3(a), 3(c), and 7(b) of the Stock Option Agreement do not correctly reflect the agreement between the parties and consequently the parties, by mutual agreement, wish to amend the provisions of Articles 3(a), 3(c), and 7(b) on and with effect from February 1, 1999.

NOW, THEREFORE, it is agreed:

1. Article 3(a) of the Stock Option Agreement be and is hereby amended by the deletion of the entire columns A and B therein and by the substitution therefor of new columns A and B as follows:

" Column "A" Number of Shares	Column "B" Exercise Date
12,000	February 2, 2000
12,000	February 2, 2001
12,000	February 2, 2002
12,000	February 2, 2003
12,000	February 2, 2004
12,000	February 2, 2005"

2. Article 3(c) of the Stock Option Agreement be and is hereby amended by the deletion of the word "six" therein and by the substitution therefore of the word "seven".

3. Article 7(b) of the Stock Option Agreement be and is hereby amended by the deletion of the entire Article 7(b) and by the substitution therefore of a new Article 7(b) as follows: "7. (b) Notwithstanding anything else herein to the contrary, if, after the occurrence of a change in control (as defined in (c) below), the Holder's employment by the Hansen Natural group is terminated (unless his employment is terminated by the Hansen Natural group for cause (as defined above) or unless his employment is terminated voluntarily by Holder), and on the date of termination less than 36,000 shares out of the 72,000 shares that are the subject of this Stock Option Agreement shall theretofore have become exercisable, then the difference between the number of shares that shall theretofore have become exercisable and 36,000 shares ("the deemed vested shares") shall be deemed to be immediately exercisable and that portion of the option (being the option to purchase shares of Common Stock subject to the applicable provisions of the Plan and awarded in accordance with the Plan in terms of Article 1 above) may, with the consent of Holder, be purchased by the Company for cash at a price equal to the fair market value (as defined in 7(ii) below) less the purchase price payable by Holder to exercise the option in respect of that number of shares that shall at that time be exercisable by Holder as set out in 1 above for one share of Common Stock of the Company multiplied by the number of shares of Common Stock which Holder at that time has the option to purchase and are exercisable, in terms of Article 1 above as read together with the provisions of this Article 7(b)."

4. Save as aforesaid, the Stock Option Agreement shall continue to apply and be of full force and effect in all other respects.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By: /s/RODNEY SACKS 10/3/2000
Title: Chairman of the Board Date

/s/ TIM WELCH 10/2/2000
Tim M. Welch Date

PACKAGING MATERIAL SUPPLY AGREEMENT

INTERNATIONAL PAPER COMPANY, a New York corporation existing under the laws of the United States of America, with a principal p]ace of business at International Place I, 6400 Poplar Avenue, Memphis, Tennessee 38197, USA ("International Paper") agrees to sell to Hansen Beverage Company ("Hansen's"), a business entity existing under the laws of California, agrees to purchase upon the following terms and conditions certain 250 mI International Paper aseptic packaging materials for Hansen's Juice Slam and Juice Blast ("Packaging Material").

1. Term. From the date of January 1, 2001 and for three (3) years thereafter ending no sooner than December 3, 2003, or until terminated or extended as set forth below.

2. Quantity. All (100%) of Hansen's requirements for aseptic Packaging Material. During the term of this Agreement, International Paper shall supply Hansen's with those quantities or Packaging Materials as ordered by pursuant to this Agreement for the specified co-packer facilities of Green Spot Packaging, Claremont, CA and Johanna Foods, Flemington, NJ.

3. Pricing and Terms of Payment. Pricing and terms of payment for Packaging Material shall be those in effect as set forth in Schedule A. Notice of subsequent price changes for Packaging Material are deternined in accordance with Schedule A. Shipments of Packaging Material shall be ex-works, plant of manufacture. Terms of sale are one percent (1%) ten (10) days; net thirty (30) days.

4. Orders. Hansen's purchase orders will specify quantities to be shipped from "blanket orders" greater than ____ aseptic boxes. International Paper will warehouse Packaging Material from these "blanket orders" for ninety (90) days at their costs.

5. Title - Risk of Loss. Title, risk of loss and damages to the Packaging Material will pass to Hansen's when the goods are delivered for shipment at International Paper's manufacturing facility.

6. Excuse of Performance. No liability shall result from delay in performance by International Paper or Hansen's caused by act of God, fire, flood, war, government action, accident, labor trouble or shortage, inability to obtain material, equipment or transportation, or similar circumstances beyond the reasonable control of International Paper or Hansen's.

7. Liability. Upon receipt, Hansen's shall examining the Packaging Material for nonconformity. Any claims shall be deemed waived unless all ascertainable factory defects are stated with particularity in writing and received by International Paper within a reasonable time after they become known to Hansen's and whenever possible within such time as will enable International Paper's technicians to reasonably distinguish such defect from defects, if any, resulting from misuse, mishandling, exposure to the elements or other causes beyond the reasonable control of International Paper. Any Packaging Material that does not meet or exceed the product specifications of Schedule B ("Nonconforming or Defective Packaging Material") will be set aside for inspection by International Paper. Any action for breach of this Agreement based in whole or in part on nonconformity of Packaging Material must be commenced within one (1) year after Hansen's is or reasonably .should have been aware of the cause of action has occurred. Hansen's shall store the Packaging Material in a cool, dry and clean place.

International Paper shall in no event be liable for any incidental or consequential unforeseeable damages other than damages caused by or attributable to defective Packaging Material. Hansen's shall be entitled to setoff from the price invoiced to it the amount of any claim asserted against International Paper with International Paper's prior written consent. Hansen's agrees to indemnify, defend and hold harmless International Paper from and against all claims, actions, losses, demands, suits, including reasonable attorney fees arising out of this Agreement, other than claims, actions, losses, demands or suits arising out of Nonconforming or Defective Packaging Materials due to the negligence of International Paper.

8.Warranty. International Paper makes no warranty of any kind except as was stated above, either express or implied by fact or by law save to the extent caused or attributable to defective Packaging Material. Hansen's undertakes the sole responsibility for the products packed.

9.1 Marketing Allowances. In consideration for the terms of this Agreement, International Paper agrees to credit Hansen's on a quarterly basis an amount equal to $____ per case of 24 aseptic units purchased Hansen's using International Paper aseptic rollstock packaging. This allowance is conditioned upon Hansen's purchasing aseptic rollstock from International Paper to produce a minimum of ____ cases, at 24 units per case, annually. In the event of Hansen's non-performance of this requirement, this Agreement shall be extended until such time that Hansen's makes up this shortfall and thereby purchases and pays in full for aseptic rollstock to produce ____, at 24 units per case, hereunder. This allowance is also contingent upon Hansen's maintaining their accounts receivable within terms. Hansen's will furnish sales data to International Paper, Ralleigh, NC on a quarterly basis and this marketing allowance will be paid within 30 days of receipt.

9.2 In the event this Agreement is terminated in accordance with Paragraph 17 and due to an act or omission of Hansen's thereunder, the marketing allowances of Paragraph 9.1 shall likewise terminate and no portion of this marketing allowance due thereafter shall be due and owing by International Paper.

10. Notices. All notices shall be made in writing and shal be deemed to have been properly given if sent by certified mail, Return Receipt Requested, facsimile (simultaneously confirmed by Certified Mail, Return Receipt Requested) or by hand delivery to any authorized agents, at the respective addresses set forth herein. All payments, unless otherwise directed by International Paper, shall be sent to the address shown on the invoice.

11. Resolution of Disputes.
11.1 In the event of a breach of this Agreement, or a dispute as to the meaning of this Agreement, or any of its terms which the parties cannot resolve by themselves amicably, the parties agree to submit such dispute to resolution in the manner hereinafter described. First, the parties shall endeavor to resolve the dispute through the use of an acceptable alternative dispute resolution procedure, If within thirty (30) days after one party notifies the other in writing of the existence of a dispute which it desires to be resolved under this paragraph the parties have not agreed upon an acceptable alternative dispute resolution procedure, then the matter shall be resolved by arbitration as set forth below and according to the rules and procedures of the American Arbitration Association, except as herein modified by the parties and judgment upon the award may be entered in any court having jurisdiction thereof. Unless otherwise agreed to in writing, all alternative dispute resolution or arbitration hearings will be held in Los Angeles, CA.

11.2 within ten (10) days after the failure to agree to an acceptable alternative dispute resolution procedure, each party will select an arbitrator, and notify the other party of its selection. Within fifteen (15) days after such notice, the respective arbitrators will select a third arbitrator as Chairman of the panel. A hearing by the arbitration panel must be held within thirty (30) days after the selection of the Chairman and a majority decision and resolution must be reached within thirty (30) days of such hearing. Decisions of the panel must be in writing and will be final arid binding on the parties.

11.3 All proceedings will be held in the English language and each party shall bear its own cost of presenting its case, including one-half the cost of the arbitration panel and/or arbitrator, in an alternative dispute resolution procedure, or arbitration, as the case may be.

11.4 The validity, construction and performance of this Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee (as if all aspects of the Agreement were to be performed in Tennessee).

12. Artwork and Wording. International Paper shall be responsible for reasonable and actually incurred costs for Artwork and plate charges for Packaging Material of new product lines equal to ____% of the Packaging Material purchased during each year of this Agreement. Hansen's nevertheless assumes the responsibility that the same complies with all governmental and/or regulatory (Federal, local or state) regulations and laws concerning the Packaging Material and the products to be contained therein. Hansen's specifically agrees to indemnify and hold International Paper harmless for any claims arising out of any deficiency or misstatement in labeling approved in writing by Hansen's or the improper filling of the Packaging Material and/or the products contained therein.

13. Waiver. The failure of International Paper or Hansen's, as the case may be, to insist in any one or more instances upon strict performance of any or the provisions of this Agreement or to take advantage of any of its rights shall not operate as a continuing waiver of its rights.

14. Entire Agreement and Assignment. This Agreement contains the entire agreement between the parties and shall be binding upon and inure to the benefit of the successors of the parties. Neither this Agreement, nor its rights or obligations shall be assignable or transferable by either party, in whole or in part, except with the written consent of the other party and such consent shall not be unreasonably withheld.

15. Severability. If any provision of this Agreement is found to be invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, the other provisions of this Agreement shall remain in full force and effect in such jurisdiction. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

16. Amendments. No amendments, changes or additions to this Agreement shall be effective or binding on either party hereto unless reduced to writing and executed by the respective duly authorized representatives of each of the parties hereto.

17. Termination.

17.1 In the event that Hansen's or International Paper shall fail to make any payment when due under this Agreement (and shall fail to pay the same within ten (10) days following written notice from either party), or in the event that either party shall materially breach or fail to comply with any other provision of this Agreement, or International Paper's failure to offer competitive pricing and such default shall continue for a period of sixty days after the giving of written notice thereof by the other party to the defaulting party, specifying the default, or in the event that: (i) either party shall become insolvent or be adjudicated a bankrupt, or make a general assignment for the benefit creditors; or (ii) receiver or liquidator shall be appointed for either party; then the other party shall have the right to terminate this Agreement by written notice, such termination to be effective upon giving such notice.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this 30th day of November, 2000.

HANSEN BEVERAGE COMPANY	INTERNATIONAL PAPER COMPANY
By: /s/ HILTON SCHLOSBERG	By: /s/ RON PFISTER
Title: Vice Chairman	Title: N.A. Commercial Manager
Date: November 20, 2000	Date: February 19, 2002

PACKAGING MATERIAL PRICING SUPPLY AGREEMENT
BETWEEN INTERNATIONAL PAPER COMPANY AND
HANSEN BEVERAGE COMPANY
DATED NOVEMBER 30, 2000

PACKAGING MATERIAL PRICING: This pricing for Packaging Material shall remain as set forth below through December 31, 2002. In the event of an industry accepted price increase or decrease after execution of this Agreement and prior to December 31, 2002, this price modification will be effective on January 1, 2003 for a term of at least one (1) year, but in no event shall such increase or decrease exceed ____% of the prior year's pricing for Packaging Material. This provision and its terms will likewise apply to subsequent price modifications during each year of the remaining Term of this Agreement.

250 ml aseptic rollstock $____/Case of 24 units

Includes L/S sealing strip and machine royalty fee

FIRST ADDENDUM TO THE PACKAGING MATERIAL SUPPLY AGREEMENT
DATED NOVEMBER 30, 2000
BY AND BETWEEN
INTERNATIONAL PAPER COMPANY AND HANSEN BEVERAGE COMPANY

WHEREFORE, on November 30, 2000, INTERNATIONAL PAPER COMPANY, ("International Paper") and Hansen Beverage Company ("Hansen's"), entered into a Packaging Material Supply Agreement which provided for the purchase of certain aseptic liquid packaging material ("Packaging Material") from International Paper; and

WHEREFORE, Hansen's has expressed an interest in purchasing additional sizes of aseptic Packaging Material and specifically 125 ml 'superslim' aseptic rollstock and International Paper is willing to offer the same to Hansen's subject to the terms of this First Addendum;

NOW THEREFORE, it is agreed as follows:

Term. From the date of November 1, 2001 and for three (3) years thereafter ending no sooner than October 31, 2004, or until terminated or extended as set forth below.

Quantity. All of Hansen's requirements for 125 ml superslim aseptic Packaging Material. During the term of this Agreement, International Paper shall supply Hansen's with those quantities of this 125 ml superslim Packaging Material as ordered by Hansen's pursuant to the Packaging Material Supply Agreement and this First Addendum for the specified co-packer facilities of Green Spot Packaging, Claremont, CA and Johanna Foods, Flemington, NJ.

Pricing. Pricing for 125 ml superslim aseptic Packaging Material shall be that in effect as set forth in Schedule A. Shipments of Packaging Material shall be ex-works, plant of manufacture.

Orders. Hansen's purchase orders will specify quantities to be shipped from "blanket orders" greater than _____ per item or label. International Paper will warehouse Packaging Material from these "blanket orders" for ninety (90) days at their costs. Hansen's shall release Packaging Material from the blanket orders in pallet increments per label of _____ Packaging Material units.

Marketing Allowances. In consideration for the terms of the Packaging Material Supply Agreement of November 30, 2000 and this First Addendum, International Paper agrees to also credit Hansen's on a quarterly basis an amount equal to $_____ per case of 44 aseptic units of 125 ml superslim units or pro rata for different size cases produced by Hansen's using International Paper aseptic rollstock packaging material. This allowance is conditioned upon Hansen's purchasing and paying in full for aseptic rollstock from International Paper to produce a minimum of _____ cases, at forty-four (44) units per case of 125 ml superslim aseptic packages, or equivalent number of units if different size cases, annually. Any excess purchases to be credited to future years' requirements. In the event of Hansen's non-performance of this requirement, this Agreement shall be extended until such time that Hansen's makes up this

shortfall and thereby purchases and pays in full for aseptic rollstock to produce _____ cases, at 44 aseptic units of 125 ml superslim per case, or the equivalent number of aseptic juice boxes of any other size for the Junior Juice brand, hereunder. This allowance is also contingent upon Hansen's maintaining their accounts receivable within terms. Hansen's will furnish sales data to International Paper, Raleigh, NC on a quarterly basis and this marketing allowance will be paid within 30 days of receipt of this sales data.

Incorporation: All other terms and conditions of the parties November 30, 2000 Packaging Material Supply Agreement shall remain in full force and effect, unless as otherwise provided for as set-forth in this First Addendum.

IN WITNESS WHEREOF, the parties have caused this First Addendum Agreement to be executed this 26 day of September, 2001.

HANSEN BEVERAGE COMPANY	INTERNATIONAL PAPER COMPANY
By: /s/ HILTON SCHLOSBERG	By: /s/RON PFISTER
Title: Vice Chairman	Title: Commercial Manager
Date: October 3, 2001	Date: October 3, 2001

SCHEDULE A
PACKAGING MATERIAL PRICING:

FIRST ADDENDUM
TO THE PACKAGING MATERIAL PRICING SUPPLY AGREEMENT BETWEEN
INTERNATIONAL PAPER COMPANY AND HANSEN BEVERAGE COMPANY
DATED SEPTEMBER 26, 2001

125 ml superslim aseptic rollstock $____/Case of 44 units

Includes L/S sealing strip and machine royalty fees

SECOND ADDENDUM TO THE PACKAGING MATERIAL SUPPLY AGREEMENT
DATED NOVEMBER 30, 2000
BY AND BETWEEN
INTERNATIONAL PAPER COMPANY AND HANSEN BEVERAGE COMPANY

WHEREFORE, on November 30, 2000, INTERNATIONAL PAPER COMPANY, ("International Paper") and Hansen Beverage Company ("Hansen's"), entered into a Packaging Material Supply Agreement which provided for the purchase of certain aseptic liquid packaging material ("Packaging Material") from International Paper; and

WHEREFORE, on October 3,2001, International Paper and Hansen's entered into a First Addendum to the November 30, 2000 Packaging Material Supply Agreement which provides for purchasing of additional aseptic Packaging Material and specifically 125 ml 'superslim' aseptic -roll stock;

WHEREFORE, Hansen's has expressed an interest in purchasing additional sizes of aseptic Packaging Material and specifically 300 ml aseptic roll stock and International Paper is willing to offer the same to Hansen' s subject to the terms of this Second Addendum

NOW THEREFORE, it is agreed as follows:

Term. From the date of January 1, 2002 and for three (3) years thereafter ending no sooner than December 31, 2004, or until terminated or extended as set forth below.

Quantity. All of Hansen's requirements for 300 ml aseptic Packaging Material. During the term of this Agreement, International Paper shall supply Hansen's with those quantities of this 300 ml Packaging Material as ordered by Hansen's pursuant to the Packaging Material Supply Agreement and this Second Addendum for the specified co-packer facilities of Green Spot Packaging, Claremont, CA and Johanna Foods, Flemington, NJ.

Pricing. Pricing for 300 ml aseptic Packaging Material shall be that in effect as set forth in Schedule A. Shipments of Packaging Material shall be ex-works, plant of manufacture.

Orders. Hansen's purchase orders will specify quantities to be shipped from "blanket orders" greater than ____ pallets per item or label International Paper will warehouse Packaging Material from these "blanket orders" for one hundred and fifty (150) days at their costs. Hansen's shall release Packaging Material from blanket order in pallet increments per label of ____ Packaging Material units.

Marketing Allowances. In consideration for the terms of the Packaging Material Supply Agreement of November 30, 2000 and the Addendums and this second Addendum, International Paper agrees to also credit Hansen's on a quarterly basis an amount equal to $____ per case of 24 aseptic units of 300 ml units or pro rata for different size cases produced by Hansen's using International Paper aseptic rollstock packaging material. This allowance is conditioned upon

Hansen's purchasing and paying in full for aseptic rollstock from International Paper to produce a minimum of ____ cases, at twenty-four (24) units per case of 300 ml aseptic packages annually. In the event of Hansen's non-performance of this requirement, this Agreement shall be extended until such time that Hansen's makes up this shortfall and thereby purchases and pays in full for aseptic rollstock to produce ____ cases, at 24 aseptic units of 300 ml per case, hereunder. This allowance is also contingent upon Hansen's maintaining their accounts receivable within terms. Hansen's will furnish sales data to International Paper, Raleigh, NC on a quarterly basis and this marketing allowance will be paid Within 30 days of receipt of this sales data.

Incorporation: All other terms and conditions of the parties November 30, 2000 Packaging Material Supply Agreement shall remain in full force and effect, unless as otherwise provided for as set-forth in this First Addendum.

IN WITNESS WHEREOF, the parties have caused this Second Addendum Agreement to be executed this 19th day of February, 2001.

HANSEN BEVERAGE COMPANY	INTERNATIONAL PAPER COMPANY
By: /s/ HILTON SCHLOSBERG	By: /s/ RON PFISTER
Title: Vice Chairman	Title: N.A. Commercial Manager
Date: February 19, 2001	Date: February 19, 2002

SCHEDULE A
PACKAGING MATERIAL PRICING

SECOND ADDENDUM
TO THE PACKAGING MATERIAL PRICING SUPPLY AGREEMENT BETWEEN
INTERNATIONAL PAPER COMPANY AND HANSEN BEVERAGE COMPANY
DATED FEBRUARY 19, 2001

300 ml aseptic roll stock $____/M units

$____ per case of 24 units of 300 ml aseptic rollstock

ASEPTIC PACKAGING AGREEMENT

THIS AGREEMENT, December 7, 2000, between Johanna Foods, Inc., a New Jersey corporation, having its principal office and plant location at Johanna Farms Road, Flemington, New Jersey 08822 ("Johanna") and Hansen Beverage Company (on it's own behalf and on behalf of its subsidiaries), a Delaware corporation, having its principal office at 1010 Railroad Street, Corona, CA 92882 ("Customer").

WITNESSETH:

WHEREAS, Johanna processes and packages for sale a variety of juice and other beverages using specialized aseptic packaging equipment; and

WHEREAS, Customer wishes to have Johanna process and package certain 250 ml Juice Blast and Juice Slam products using customer's unique formulae for such products and unique label designs for the packaging thereof at Johanna's plant in Flemington, New Jersey (the "Plant"),

NOW THEREFORE, in consideration of the premises and mutual promises hereinafter set forth and intending to be legally bound, the PARTIES HERETO AGREE AS FOLLOWS:

1. PRODUCTS: Subject to the terms and conditions hereof, Johanna shall prepare, manufacture, process, package and load for shipping for Customer the product(s) listed in Exhibit A ("Products"). Customer supplied ingredients and materials (if any) shall be provided to Johanna in such quantities and at such times so as to enable Johanna to perform its obligations hereunder

2. SPECIFICATIONS: Johanna agrees to produce Products in accordance with quality assurance standards and policies as set forth in Exhibit A hereto.

3 TERM: This Agreement shall commence upon the date first above written and shall continue for three (3) years from the above date, and shall thereafter continue for successive three (3) year terms, upon written agreement by both Customer and Johanna at least six (6) months prior to the end of the initial term or any renewal term.

4. PRODUCTION: The parties understand and agree that production under this Agreement shall be on order-by-order basis, provided, however, that Johanna shall use its best efforts to fulfill orders and that the terms herein shall govern the performance of any and all orders. Customer agrees to schedule production in minimum amounts of ____ gallons per flavor.

5. SCHEDULING: Customer agrees to provide Johanna with a three (3) month rolling estimated schedule of Customer's production requirements. These schedules shall be revised monthly and submitted to Johanna not later than the fifteenth day of the day of the month preceding the three-month period covered by the schedule. These schedules shall include a firm production commitment for the first scheduled month, and estimated requirements for the second and third scheduled months. Customer agrees that orders for production shall provide a minimum often (10) business days' lead time.

6. PAYMENT/PRICE:

(a) Johanna's fees for its performance hereunder shall be as described in Paragraph 6 (b) hereof and as set forth in Exhibit B attached hereto, or any then-current amendment thereto. Johanna shall forward to Customer upon shipment, an invoice showing the payment due, and Customer shall pay that invoice net within thirty (30) days of receipt of same. Packaging material purchased by Johanna incorporating Customer's design will only be ordered upon receipt of Customer's purchase order authorization. Interest shall be due and payable at the rate of 1% per month for all sums not paid when due.

(b) As consideration for the services provided by Johanna pursuant to this Agreement, Customer shall pay Johanna the sum of the following elements of compensation, in amounts specified on Exhibit B, attached:

(i) Processing Charge;

(ii) Packaging Materials Charge; and

(iii) Product Ingredients Charge

(iv) Equipment Royalty, if applicable.

(c) The amounts charged pursuant to Paragraph 6 (b) and appearing on Exhibit B, attached, are subject to adjustment as contained in Exhibit B

(i) Processing Charge

(a) Changes in the processing charge shall be accounted for by an annual adjustment in the processing charge calculated as follows:

The processing charge multiplied by the change since the previous period in the Producer Price Index applicable to New Jersey as announced by the U.S. Department of Labor, Bureau of Labor

Statistics or such other index as the parties may agree upon.

(ii) Packaging Materials Charge. When and to the extent Johanna's actual costs change.

(iii) Product Ingredient Charge. When and to the extent Johanna's actual costs change.

(iv) Equipment Royalty. When and to the extent Johanna's actual costs change.

7. ADJUSTMENT OF SPECIFICATIONS: Customer may alter the packing specifications and formulae of the Products and the formulae or specifications of the materials it supplies, upon written notice to Johanna. If any such notice alteration, or any other request or requirement of Customer acceptable to Johanna, results in increased costs to Johanna or results in decreased costs to Johanna, the payments set forth in Exhibit B shall be adjusted upward or downward as shall be mutually agreed upon between the parties to reflect such actual increase or decrease in costs.

8. SHIPPING:

(a) During the term of this Agreement, Johanna agrees to handle and store finished Product up to the maximum quantities specified in Exhibit A or any then-current amendment thereto, at no additional charge to Customer. The compensation set forth in Paragraph 6 hereof includes the cost of such storage in Johanna's warehouse for a period not to exceed forty five (45) days from the date of production. Customer shall pay Johanna the amount of $____ per pallet stored, per day, for any Product remaining in storage beyond such forty five (45) day period. Storage beyond forty five days is at the option of Johanna and Customer acknowledges and agrees that it may not be available.

(b) Customer agrees to issue finished products for shipping in minimum pallet increments, and Johanna agrees to release the Product to carriers designated by Customer within 72 hours after the furnishing of written notification thereof by Customer. Johanna agrees to ship oldest Product first.

(c) Customer shall, at its own expense, supply enough good, usable pallets to meet Johanna's requirements for packing, storage and shipping the Product. Customer has the ongoing responsibility of maintaining enough pallets in the system by arranging for pallet returns or exchange, or providing additional pallets as required. Customer acknowledges and agrees that pallets provided by Customer will be commingled with other pallets of Johanna. Johanna shall invoice Customer for pallets at $____ per pallet, and Customer shall make payment for same net within thirty (30) days of receipt of invoice.

9. INGREDIENTS. MATERIALS AND EQUIPMENT:

(a) Johanna agrees to supply at its sole cost and expense, the equipment and facilities necessary to perform its obligations under this Agreement.

(b) All base flavoring, syrup, fruit juice, concentrate and packaging materials (together, "Ingredients and Materials") furnished, or paid for, by Customer shall be used exclusively for the purpose of performance of this Agreement. Customer warrants that any such Ingredients or Materials supplied shall not be adulterated and shall satisfy all federal and state laws and regulations applicable to the processing and packaging to be performed pursuant to this Agreement. Ingredients and Materials allowances are listed on Exhibit D.

(c) Customer shall, with Johanna's approval, from time to time deliver or cause to be delivered to Johanna's plant at Customer's expense (including all costs of art work, plates and delivery) certain Ingredients and Materials as identified in Exhibit B necessary to prepare and package the Product. Such Ingredients and Materials must be to specifications and from suppliers agreed to by Johanna and compatible with Johanna's equipment. Johanna shall furnish certain other Ingredients and Materials and the basis for determining the costs thereof to be as designated from time to time. Except for container paper stock and trays, Customer hereby authorizes Johanna to order Ingredients and materials as identified in Exhibit B, and to re-order such Ingredients and Materials, in quantities sufficient to maintain an inventory of such Ingredients and Materials necessary to package a minimum of ____ cases per flavor and a maximum of ____ cases per flavor of Product. Johanna will order container paper stock upon receipt of specific authorization from Customer for each order. Johanna will order trays based upon Customer's projections of its production requirements. Customer acknowledges and agrees that Johanna shall have no liability for the failure of any supplier to provide Materials in timely fashion nor for other factors beyond Johanna's control relating to the quality or quantity of Ingredients and materials which may interfere with Johanna's processing and packaging of Product when Johanna is responsible for procuring such materials.

(d) In the event Johanna shall receive any Ingredients and Materials furnished by or on behalf of Customer in a damaged condition which is evident from a visual inspection thereof, or in the event such Ingredients and Materials do not conform to the bill of lading corresponding thereto in respect to numbers and product code, Johanna shall promptly notify Customer of, and shall follow the reasonable instructions of Customer with respect to, any such discrepancy.

(e) Customer agrees to keep the packaging materials and ingredient inventories which are supplied on its behalf at a minimum inventory level so as not to utilize excessive warehouse space. The maximum amount of Ingredients and Materials which may be stored without charge is set forth in Exhibit D attached hereto; storage charges will apply to amounts in excess of the stated minimum. Customer understands and agrees that Johanna may not segregate in storage the Ingredients and Materials supplied by Johanna from those supplied by Customer.

(f) Johanna may, using its reasonable discretion, test any of the Ingredients and Materials supplied to it to confirm that such Ingredients and Materials satisfy all applicable federal and state laws and regulations.

(g) Customer agrees to indemnify and hold Johanna harmless for any and all damages, excluding consequential damages, to Johanna or others, resulting from the supplying of Ingredients and Materials to Johanna which are adulterated or fail to satisfy any and all applicable federal and state laws and regulations. Said indemnification shall include, but is not limited, to damage to the good will of Johanna.

10. RECORDS: Johanna agrees to make and keep full and accurate books and weekly records currently updated with respect to production runs, inventories and shipments, and agrees to report such data, as may be reasonably required.

11. REGULATORY COMPLIANCE: Johanna shall follow good manufacturing practices in the production of Product and shall comply with all applicable local, state and federal laws and regulations governing the production of the Product. Notwithstanding the foregoing, compliance with all applicable laws and regulations with respect to Ingredients and Materials and formulae furnished by Customer arid with respect to labeling shall be the sole responsibility of Customer, and Customer shall save and hold Johanna harmless from such claim or liability based upon noncompliance with such laws and regulations, provided such claim or liability does not arise from acts or omissions of Johanna.

12. TITLE TO PRODUCT: Title to Ingredients and Materials furnished by Customer shall remain with Customer at all times. Risk of loss for such Ingredients and Materials shall be borne by Johanna. Title and risk of loss to Ingredients and Materials furnished, supplied or purchased by Johanna pursuant to the provisions of this Agreement shall remain with Johanna. Title to Product and risk of loss thereto shall pass to Customer at time of delivery to and acceptance of Product by Customer or a carrier designated by Customer at Johanna's facility.

13 TRADEMARKS: All trademarks, trade names, trade secrets, names and addresses of customers, sources of supply, manufacturing procedures, formulae, production data and reports and other proprietary information ("Confidential Information"), of either party hereunder, shall at all times be and remain the exclusive property of the appropriate party, and this Agreement shall not in any manner constitute a license to either party to the use of the Confidential Information of the other party. Each party shall use its best efforts to keep confidential any and all Confidential Information acquired from the other and shall not disclose such Confidential Information without the express written consent of the other party .

14. INDEMNIFICATION: Johanna agrees to indemnify Customer against any claims, loss, damage, liability or expense including but not limited to bodily injury, death or property damage where such injury, death or damage is caused by any ingredients, materials furnished or packaging provided by Johanna, by any negligence of Johanna, or by any act or omission on the part of Johanna in violation of this Agreement.

Customer agrees to indemnify Johanna against any claims, loss, damage, liability or expense including but not limited to bodily injury, death or property damage where such injury , death or damage is caused by any ingredients, materials, formulae, instructions, standards, programs or policies furnished by Customer to Johanna, including claims of trademark infringement, by any negligence of Customer, or by any act or omission on the part of Customer in violation of this Agreement.

Customer and Johanna shall each maintain insurance to cover the liabilities with respect to which the indemnities are provided for in this paragraph, such coverage to be no less than $2,000,000 for bodily injury , including death and property damage combined. Each party shall furnish to the other evidence of such insurance in the form of a certificate or certificates issued by its respective insurance carrier, which certificate shall provide that there shall be no material If change in, or cancellation of, such insurance unless thirty (30) days prior written notice, as cancellation is given to both parties. The foregoing indemnifications are conditioned upon the party claiming indemnifications promptly furnishing the other party with written notice of each claim, loss, damage or expense for which indemnity will be claimed and permitting the indemnifying party to assume the defense thereof at its sole cost and expense.

15. TAXES: Johanna and Customer each agree to pay all taxes assessed on all Ingredients and Materials to which they have title respectively.

16. FORCE MAJEURE: Neither party shall be liable to the other for any delay or failure to perform any of its obligations hereunder which delay or failure to perform is due to fires, storms, floods, earthquakes, other acts of God, war, insurrection, riots, interruption or diminution of electric power, strikes, lockouts or other labor disputes, failure of transportation, equipment, communication or postal service or governmental actions, orders or regulations or other matters beyond the control of said party .

17. DEFAULT:

(a) If either party shall commit a material default in the performance of this Agreement, and that default shall continue uncorrected for thirty (30) days after receipt by the defaulting party of written notice specifying the nature of such defaults thereof, the other party shall be entitled to terminate this Agreement upon ten days' written notice. Termination by a party pursuant to this paragraph shall not relieve the party so terminating from the obligations contained in Paragraphs 13, 18 and 21, which shall survive termination. Waiver of any default shall not constitute waiver of a1ly subsequent default.

18. TERMINATION:

(a) This Agreement shall commence as of the date hereof and shall continue until termination as provided in Paragraphs 3 or 17 of this Agreement.

(b) In the event that this Agreement is terminated:

(i) Each party shall discharge within 30 days, or sooner as provided herein, in cash or by check, any liability or liabilities to the other existing as of the date of termination, including without limitation the purchase by Customer of all finished Product.

(ii) Johanna shall return, at Customer's expense to a location designated by Customer, all unused Materials and Ingredients to which Customer has title and all finished Product within thirty days of termination.

(iii) Customer shall purchase, at Johanna's cost, unused Materials and Ingredients specified in Exhibit B in good and usable condition in quantities not to exceed the requirements necessary to pack Product scheduled on the most current production forecast or the levels of inventory permitted hereunder, whichever is greater, within thirty days of termination.

19. ASSIGNMENT: No party may assign or otherwise transfer this Agreement or any of its rights or obligations hereunder or any portion thereof without the prior written approval of the other, except that, without such consent, a party may make such assignment to a corporate parent, subsidiary or affiliate of the party provided the assignor guarantees the performance by the assignee of all it obligations hereunder.

20. NOTICES: All notices given by the parties hereunder shall be in writing and shall be personally delivered or mailed, by certified mail, return receipt requested, addressed to the respective parties at their addresses first above mentioned or at such address as either party shall designate in writing to the other. Notices shall be effective when properly delivered or mailed unless otherwise provided in this Agreement.

21. RESTRICTIONS: For purposes of this Paragraph, "Exclusive Territory" includes the states specified in Exhibit C. Customer agrees that for as long as this Agreement and any renewal or extension(s) thereof is in effect, it will not do or cause to be done the following:

(a) package any Juice Blast or Juice Slam products within the Exclusive Territory in Brik Pak or similar aseptic containers provided that Johanna remains competitive excluding any isolated or once off offers from other parties.

22. SEVERABLE CONDITIONS: If any condition, term or covenant of this Agreement shall at any time be held to be void, invalid or unenforceable, such condition, covenant or term shall be construed as severable and such holding shall attach only to such condition, covenant or term and shall not in any way affect or render void, invalid or unenforceable any other condition, covenant or term of this Agreement, and this Agreement shall be carried out as if such void, invalid or unenforceable term were not embodied herein in order to most closely achieve the mutual objectives of the parties.

23. CHOICE OF LAW: This Agreement shall be construed in accordance with the laws of the State of New Jersey. Any dispute arising under or relating to this Agreement shall be submitted to binding arbitration before a single arbitrator in the State of New Jersey pursuant to the rules for commercial arbitrations of the American Arbitration Association.

24. BENEFIT OF AGREEMENT: This Agreement shall inure to the benefit of the parties and their successors and assigns (provided the assignment does not violate the terms hereof) and shall be binding upon the parties, their successors and assigns.

25. ENTIRE AGREEMENT: It is agreed that neither party has made or is making any representations or warranties, express or implied, not explicitly set forth in this Agreement, that this Agreement is the entire Agreement between the parties hereto and it cancels and supersedes all earlier agreements, written or oral, and that no waiver, modification or change of any of the terms of this Agreement shall be valid unless in writing.

26. AMENDMENT: This agreement and any Exhibit thereto may be amended from time to time by agreement of the parties, provided that such amendment is committed to writing within ten days, and dated and executed by all authorized officer of each party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the day and year first above written.

JOHANNA FOODS, INC.	HANSEN BEVERAGE COMPANY
By: /s/BOB FACCHING	By: /s/ HILTON SCHLOSBERG
Title: President	Title: Vice Chairman

EXHIBIT A

PRODUCTS AND QUALITY ASSURANCE STANDARDS

PRODUCTS

JUICE BLAST
JUICE SLAM

QUALITY ASSURANCE STANDARDS

- Plant must be OU Certified Kosher
- Ingredients supplied by plant must be kosher certified
- Water source for product must be potable and tested by local authority
- Plant must follow established Good Manufacturing Practices
- Plant employees must exhibit good hygienic practices
- Plant must have strict sanitation program in compliance with GMP
- Processing equipment must be clean and sanitary
- Processing areas must be clean and sanitary
- Processing areas must be segregated from the outside
- Processing equipment must be food grade material
- Rework program must be handled correctly
- Finished goods must be stored at correct temperatures
- Finished goods must be properly stored, rotated, and kept free of dust
- Finished goods must be coded as required by Hansen Beverage
- Plant must perform incoming goods inspection
- Plant must maintain receiving log of incoming goods & record lot numbers
- Ingredients and packaging must be properly rotated (FIFO)
- Plant must test finished product to ensure the product meets finished product specification. This testing can be physical, chemical and/or microbiological depending on the nature of the product
- Plant must have an established HACCP program
- Plant must have established pest control program
- Pesticides must be stored in secured area
- Cleaning chemicals must be stored away from food products
- All ingredients must be stored in accordance to specification
- Packaging ingredients must be stored free of dust, condensate, etc.
- Rejected materials must be properly identified and stored separately
- Lights over exposed product must be protected
- Ladders and walkways over exposed product must be protected
- Overhead pipes must be protected against leaks and condensate drips
- Plant must be in accordance to these, as well as all ASI Food Processing guidelines

EXHIBIT B

PRICES

	24/250 mL Variety Pak	27/250 mL Variety Pak
Processing Charge	$____	$____
Miscellaneous Materials	____	____

An anual volume incentive of $___ per case will be paid on all cases once Customer has produced _____ cases within the period.

EXHIBIT C

EXCLUSIVE TERRITORY

The Exclusive Territory shall include the states of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Kentucky, Tennessee, Maryland, Delaware, Virginia, West Virginia North Carolina, South Carolina, Georgia, Florida and the District of Columbia.

EXHIBIT D

INGREDIENTS AND MATERIALS

Loss Allowances

Laminate	____%
Trays	____%
Inserts	____%
Ingredients	____%

Customer Supplies FOB Flemington. NJ

- Aseptic reel stock
- Trays
- Sales sheets
- International Paper royalty
- Ingredients

Johanna Supplies FOB Flemington. NJ

- Water to reconstitute ingredients.
- Miscellaneous materials consisting of straws, glue, tray film, pallet pad, and pallet wrap.
- Ingredients as requested at cost plus loss allowance.

STANDARD INDUSTRIAL LEASE

Dated (for reference) as of July 25, 2002

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: 44 Promenade Partnership L.P.
a California Limited Partnership

Tenant's Address
1010 Railroad Street
Corona, CA 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 20,300 square feet indicated on Exhibit "A"
Street Address 555 South Promenade Avenue Corona, CA

Term: Month-to-Month
Commencement Date August 26, 2002
Rent: $____ per month
Taxes, Insurance and Maintenance Reserve Deposit: $____
Security Deposit: $____
Insurance Amounts:

Bodily Injury per Person:	Three Million Dollars ($3,000,000)
Bodily Injury per Occurrence:	Three Million Dollars ($3,000,000)
Property Damage:	One Million Dollars ($1,000,000)

Tenant Improvement Plans (approved by Tenant and Landlord):
Tenant's Construction Representative:
Uses: Warehousing, packaging and distribution of consumer products - no office use.
Tenant's Share (if multi-tenant) of: Real Property Taxes ____% Insurance Expenses 11.4% Maintenance Expenses ____%.

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 1 (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. If Rent is not received as provided above, a late charge shall be payable by Tenant as provided in Paragraph 13.4.

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 pay to Landlord, upon Landlord's demand, the additional sums necessary to fully satisfy such obligations. Tenant shall, upon Landlord's demand, increase its monthly deposits to an amount equal to one-twelfth of the prior year's actual expenses. 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. Tenants shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance. 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, ordinances 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 all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and that Tenant has made such legal and factual inquiries with respect thereto as 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. Tenant shall be liable to Landlord for any and all damages caused by Tenants storage, usage or handling of 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 are 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 Tenant's 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, 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 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 in, on or about the Premises, except for non-structural alterations not exceeding ten thousand dollars 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 Tenants 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. Upon completion of any alteration, Tenant shall provide Landlord "as built' plans together with evidence of the appropriate governmental final approval of the work.

(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; Accounting and Asset Management Services. Landlord, at Landlord's option, may arrange for any portion of the exterior or common area maintenance, utilities and repair. Tenant shall pay to Landlord upon demand Tenant's share of such expenses as set forth in Paragraph 1. As compensation for Landlord's accounting and management services, Tenant shall pay to Landlord an amount equal to ten percent of Tenant's share of the real property taxes, utilities, insurance expenses, and maintenance expenses.

8. Insurance, Indemnity.

8.1 Coverage. The following insurance and any additional insurance coverage that may be required by law, 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) including earthquake endorsements. 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 five thousand dollars 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 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 the 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 Best's Insurance Guide "General Policyholders Rating" of at least "A" and 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, policies, 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 violate 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 requirements of 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 such 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 loss or 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 policies of insurance required hereunder, give notice to the Insurance carriers that 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 Tenant's 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, Tenant's 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.

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 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, 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 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 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 Taxes, as defined in Paragraph 10.2, applicable to the Premises during the Term. If 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.

10.2 Definition of "Real Property Taxes". As used herein, the term Real Property Taxes 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 Taxes 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 Taxes or (ii) the nature of which was hereinbefore included within the definition of Real Property Taxes.

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 _____ dollars 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 other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment 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, Tenant shall submit to Landlord in writing (a) the name of the proposed assignee or sublessee, (b) such information as to its financial responsibility and standing as Landlord may reasonably require, and (c) all of the terms and conditions upon which the proposed assignment or subletting is to be made. Landlord shall have an option to cancel and terminate this Lease with respect to all or such portion of 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, or the portion thereof which is the subject of the option. If this Lease is canceled as to a portion of the Premises only, the Rent after the date of cancellation shall be reduced in the proportion that the floor area of the canceled portion bears to the total floor area of the Premises.

12.4 Excess Sublease Rental. If, on account of or in connection with any assignment or sublease, Tenant receives rent or other consideration in excess of the Rent called for hereunder, after appropriate adjustments to assure all other payments called for hereunder are appropriately taken into account, Tenant shall pay to Landlord fifty percent 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 anyone 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.

(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, in the case of a petition filed against Tenant, 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 Land lord 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 and alteration 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 per annum but not to exceed the maximum rate allowed by law.

(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) 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 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 of the floor area of the building on the Premises or more than twenty-five percent 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. Tenant shall pay any amount in excess of such severance damages required to complete such repair.

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 further performance of covenants on the part of Landlord herein contained provided the assignee executes an assumption agreement expressly agreeing to assume all of 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 further 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 any of 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 rate of twelve percent per annum but not exceeding the maximum rate allowed by law.

Payment of such interest shall not 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, overnight delivery service or by certified mail, return receipt requested. Notice shall be deemed given on the date of delivery as shown on the delivery service or 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 Tenant's address for notice purposes. A copy of all notices to be given to Landlord hereunder shall be concurrently transmitted by Tenant to such 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 _____ percent 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. The venue for hearing litigation shall be in Orange County, 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 all advances made on the security thereof and to all modifications, 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 Tenant's attorney-in-fact and in Tenant's 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 or 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 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 Tenant's 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 attached.

The Parties hereto have executed this Lease on the dates immediately above their respective signatures.

Dated:
Hansen Beverage Company,
A Delaware corporation

"Tenant"

Dated: 8/9/02
44 Promenade Partnership L.P.,
a California limited partnership
By: Investment Building Group
a California corporation
Its: general partner
By: /s/ Jack M. Langson
Jack M. Langson, President

"Landlord"

ADDENDUM TO LEASE DATED JULY 25, 2002

BETWEEN

HANSEN BEVERAGE COMPANY ("TENANT")

AND

44 PROMENADE PARTNERSHIP L.P. ("LANDLORD")

39. Stipulated Amount for Reimbursement for Taxes. Insurance, and Maintenance Expenses. Landlord agrees to limit the ____% Tenant's share of the property taxes, insurance and maintenance expenses during the first twelve months of occupancy to _____ Dollars ($_____) per month excluding utility charges, fire alarm service and the cost of any repairs or damage caused by Tenant. In the event of an increase in the floor area occupied by Tenant, this stipulated amount will be adjusted on a pro rata basis. In the event that the actual expenses for taxes, insurance, and maintenance are less than the stipulated amount, the difference shall not be refundable to Tenant.

40. Option to Terminate/Holding/Over. Either party may terminate this Lease upon at least fifteen (15) days prior written notice to the other. If Tenant remains in possession of the Premises or any part thereof after the date set forth in a written notice of termination or 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 fifty percent (50%) and upon the terns hereof applicable to a month-to-month tenancy.

41. Option to Expand Premises. In the event that Landlord anticipates leasing either the Premises and/or the remaining space in Unit 101 of the building to another party, Landlord will give Tenant three (3) business days to execute an agreement under the terms proposed by Landlord which shall be the same as proposed to the other party. If such agreement is not executed in said three (3) days, Landlord shall then be free to complete the transaction with the third party.

FIRST AMENDMENT TO LEASE
BY AND BETWEEN
HANSEN BEVERAGE COMPANY ("TENANT")
AND
44 PROMENADE PARTNERSHIP L.P. ("LANDLORD")

This First Amendment dated (for reference) January 21, 2003 to the above said Lease shall modify the terms thereof, commencing February 1, 2003 as outlined below:

Premises: Approximately 38,400 square feet as shown in Exhibit "A-1".

Term: Extended through March 31, 2005. (See termination option below.)

Rent: $____ per month.

Taxes, Insurance and Maintenance Reserve Deposit: $____ per month.

Tenant's Share of: Real Property Taxes
Insurance Expenses
Maintenance Expenses: ____%

Paragraphs 39, 40 and 41 of the Addendum: Deleted.

New Paragraph 42: Tenant's Option to Terminate/Holding Over: Commencing April 1, 2003, Tenant may terminate the Lease by providing Landlord with at least 120 days prior written notice. If Tenant remains in possession of the Premises or any part thereof after the date set forth in a written notice of termination or after the expiration of the Term without the express written consent of the 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 fifty percent (50%) and upon the terms hereof applicable to a month-to-month tenancy.

All other provisions of the Lease remain unchanged.

Hansen Beverage Company
a Delaware Corporation

By: /s/ HILTON SCHLOSBERG

Its: Vice Chairman

"TENANT"

44 Promenade Partnership L.P.,
a California limited partnership

By: Investment Building Group
a California corporation,
general partner

By: /s/ JACK M. LANGSON

Jack M. Langson, President

"LANDLORD"

McKinley Equipment Corporation
17611 Armstrong Avenue
Irvine, CA 92614

January 16, 2003

U .S. CONTINENTAL
Attention: Mr. Lance Dermeik Proposal # Hansens-1-16-03-PBR2
1001 Pomona Rd.
Corona, Ca. 91720
Re; Hansens Project, Corona, California

Following is the proposal we have been discussing for the additional storage requirement. We are partnering with Hannibal Industries structural steel racking and Advanced Storage Solutions 5 deep cart system and are pleased to offer the following storage proposal for your approval.

System Parameters

The system following takes into consideration Hansen's requirement for a "flexible" system that can be reconfigured as Hansens product mix changes.

We have consulted with Mr. Jerry Hefner, the fire consultant of record. Hansen's commodities are able to be stored up to 27' with the in place EFSR-25-M system or within 36" of the sprinkler heads. The first two pallets will be stored on the floor (as is the current layout) and having three levels of carts above for a total of 5 levels. Hansen's can change the elevations to suit there needs in the future as the structure and carts are designed based on an average of a 2300# load.

The system is based on 42" wide x 48" deep pallets, up to 2,300# average per pallet.

System layout is based on using four rows of 5 deep of push back rack system.

Four rows of 5 deep x 5 high 18-1/2 bays wide, 37 lanes (3@ 5-1/2 bays each plus 2 additional bays) resulting in 3,700 pallet positions.

INSTALLATION
Installation will be staged. First section will be installed approximately mid January. Installation is based on doing 1 section at a time. One section can be completed in five 9 hour days.

PLEASE SEE FOLLOWING FOR CONFIRMING PRICING AND PROPOSAL

January 16, 2003

U.S. CONTINENTAL
Attention: Mr. Lance Dermeik Proposal # Hansens-1-16-03 PB-R3
1001 Pomona Rd
Corona, Ca. 91720
Re: Hansen's Project, Corona, California

PROPOSAL
Total System Price, Delivered, Installed, Tax Included $____
Cost per pallet position 5 deep = $____,
Option Increase upright height from 276" to 300" for future
flexibility, Add $____
Plan Check and permit Fees from City of Corona, Add $____
CAD Drawing services, Add $____
Total Cost of System Components, delivered, Installed, Tax Included $____

Notes:
1. Sprinklers if Needed $ By Others
2. Seismic Calculations, Add $____
3. Structural Permit Processing by McKinley, $____
4. Actual Cost of Plan Check and Permit fees to be prepaid by
McKinley and invoiced directly to Hansen' s for payment.
5. Fire Permit: By Others-Jerry Hefner and Associates (previous consultant)
6. Soils and slab testing, if needed is by others.
7. Shipment of Rack: 5-6 weeks
8. Shipment of Advance Carts: 6 weeks.
9. Installation Duration: 6 days per section.
10. Terms: 30% down ($____), 40% ($____ upon shipment)and 30% ($____)
net 15 days upon completion with approved credit.
11. Proposal valid for 90 days.
12. All equipment rentals for installation are included in above price

We are looking forward to continuing our relationship.

Sincerely,

Marcus Crockett
Sales Manager

Accepted By /s/ Hilton Schlosberg
Date 1/20/03

February 2, 1999

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of February 2, 1999 by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Kirk S. Blower ("Holder").

Preliminary Recitals

A. Holder is an employee of the Company or one of its subsidiaries or affiliates.

B. Pursuant to the Hansen Natural Corporation Stock Option Plan (the "Plan"), the Company desires to grant Holder an incentive stock option to purchase shares of the Company's common stock, par value $.005 per share (the "Common Stock").

NOW, THEREFORE, the Company and Holder agree as follows:

1. Grant of Incentive Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the incentive stock option ("ISO") to purchase up to 12,500 shares of Common Stock, at the purchase price of $4.25 per share, such ISO to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The ISO shall expire three months after the termination of the Holder's employment with the Company and its subsidiaries and affiliates (the "Hansen Natural Group") unless the employment is terminated by a member of the Hansen Natural Group for Cause (as defined below) or unless the employment is terminated by reason of the death or Total Disability (as defined below) of Holder. If the Holder's employment is terminated by a member of the Hansen Natural Group for Cause, the ISO shall expire as of the date employment terminates. If the Holder's employment terminates due to his death or Total Disability, then the ISO may be exercised by Holder or the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death or Total Disability, but no later than the expiration date specified in Section 3(c) below. "Cause" means the Holder's act of fraud or dishonesty, knowing and material failure to comply with applicable laws or regulations, failure to satisfactorily perform his duties of employment, insubordination or drug or alcohol abuse, as determined by the Committee of the Hansen Natural Corporation Stock Option Plan (the "Committee"). "Total Disability" means the complete and permanent inability of Holder to perform all of his duties of employment with the Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Exercise of Option

(a) Subject to the other terms of this Agreement regarding the exercisability of the ISO, including without limitation, paragraph (b) below, and provided that Holder is employed by a member of the Hansen Natural Group on the relevant date, the ISO may only be exercised in respect of the number of shares listed in column A from and after the exercise dates listed in column B,

	Column "A" Number of Shares	Column "B" Exercise Date
	2,500	February 2, 2000
	2,500	February 2, 2001
	2,500	February 2, 2002
	2,500	February 2, 2003
	2,500	February 2, 2004

Total Shares	12,500	

(b) Holder's right to exercise the ISO in accordance with the exercise schedule set forth in paragraph (a) above shall, in respect of each exercise date, be subject to Holder having achieved for the most recently completed calendar year prior to such respective exercise date, his/her respective sales and/or performance goals, as the case may be, determined for such period by Hansen Beverage Company. Consequently, failure by Holder to achieve his/her sales and/or performance goals for any applicable calendar year shall result in the forfeiture in each case by Holder of the ISO in respect of that number of shares listed in Column A of paragraph (a) that would otherwise become exercisable on the closest date after the end of such calendar year reflected alongside that number of shares in Column B. For example, if the sales achieved by Holder in the calendar year ended December 31, 2001, amounts to 95,000 cases out of an agreed sales goal of 100,000 cases, then the number of shares that Holder will become entitled to exercise on the next exercise date listed in Column B that is, after January 1, 2002, shall be forfeited.

(c) Subject to paragraph (b) above, this ISO may be exercised, to the extent exercisable by its terms, from time to time, in whole or in part, at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this ISO is being exercised (the "Option Shares"). Notations of any partial exercise or installment exercise, shall be made by the Company on Schedule A hereto.

(d) Notwithstanding anything else herein to the contrary, this ISO shall expire six years from the date indicated above.

(e) The Holder hereby agrees to notify the Company in writing in the event shares acquired pursuant to the exercise of this ISO are transferred, other than by will or by the laws of descent and distribution, within two years after the

date indicated above or within one year after the issuance of such shares pursuant to such exercise.

4. Payment of Purchase Price Upon Exercise. At the time of any exercise of the ISO the purchase price of the ISO shall be paid in full to the Company in either of the following ways or in any combination of the following ways:

(a) By check or other immediately available funds.

(b) With property consisting of shares of Common Stock. (The shares of Common Stock to be used as payment shall be valued as of the date of exercise of the ISO at the Closing Price as defined below. For example, if Holder exercises the option for 4,000 shares at a total Exercise Price of $8,000, assuming exercise price of $2.00 per share, and the Closing Price is $5.00, he may pay for the 4,000 Option Shares by transferring 1,600 shares of Common Stock to the Company.)

(c) For purposes of this Agreement, the term "Closing Price" means, with respect to the Company's Common Stock, the last sale price regular-way or, in case no such sale takes place on such date, the average of the closing bid and asked prices regular-way on the principal national securities exchange on which the securities are listed or admitted to trading; or, if they are not listed or admitted to trading on any national securities exchange, the last sale price of the securities on the consolidated transaction reporting system of the National Association of Securities Dealers (NASD"), if such last sale information is reported on such system or, if not so reported, the average of the closing bid and asked prices of the securities on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ") or any comparable system or, if the securities are not listed on NASDAQ or a comparable system, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

5. Purchase for Investment; Resale Restrictions. Unless at the time of exercise of the ISO there shall be a valid and effective registration statement under the Securities Act of 1933 ("'33 Act") and appropriate qualification and registration under applicable state securities laws relating to the Option Shares being acquired, Holder shall upon exercise of the ISO give a representation that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the resale or distribution of any such shares. In the absence of such registration statement, Holder shall execute a written affirmation, in a form reasonably satisfactory to the Company, of such investment intent. Holder further agrees that he will not sell or transfer any Option Shares until he requests and receives an opinion of the Company's counsel or other counsel reasonably satisfactory to the Company to the effect that such proposed sale or transfer will not result in a violation of the '33 Act, or a registration statement covering the sale or transfer of the shares has been declared effective by the Securities and Exchange Commission, or he obtains a no-action letter from the Securities and Exchange Commission with respect to the proposed transfer.

6. Nontransferability. This ISO shall not be transferable other than by will or by the laws of descent and distribution. During the lifetime of Holder, this ISO shall be exercisable only by Holder.

7. Adjustments. In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the ISO and their purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split the kind of shares, their purchase price per share and the number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustment so made shall be final and binding on Holder. No adjustments shall be made that would have the effect of modifying an ISO under Internal Revenue Code ss.ss. 422 and 424.

8. No Rights as Stockholder. Holder shall have no rights as a stockholder with respect to any shares of Common Stock subject to this ISO prior to the date of issuance to him of a certificate or certificates for such shares.

9. No Right to Continue Employment. This Agreement shall not confer upon Holder any right with respect to continuance of employment with any member of the Hansen Natural Group nor shall it interfere in any way with the right of any such member to terminate his employment at any time.

10. Compliance With Law and Regulation. This Agreement and the obligation of the Company to sell and deliver shares of Common Stock hereunder shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Board of Directors of the Company shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, is necessary or desirable as a condition of or in connection with the issue or purchase of shares of Common Stock hereunder, this ISO may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

11. Tax Withholding Requirements. The Company shall have the right to require Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding tax requirements prior to the delivery of any certificate or certificates for Common Stock.

12. Fractional Shares. Notwithstanding any other provision of this Agreement, no fractional shares of stock shall be issued upon the exercise of this ISO and the Company shall not be under any obligation to compensate Holder in any way for such fractional shares.

13. Notices. Any notice hereunder to the Company shall be addressed to it at its office at 2380 Railroad Street, Suite 101, Corona, California 91720, Attention: Rodney C. Sacks with a copy to Benjamin Polk, Whitman Breed Abbott & Morgan, 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at _____, subject to the right of either party to designate at any time hereafter in writing some other address.

14. Amendment. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by both parties.

15. Governing Law. This Agreement shall be construed according to the laws of the State of Delaware and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such State, except where preempted by federal laws.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Hansen Natural Corporation has caused this Agreement to be executed by a duly authorized officer and Holder has executed this Agreement both as of the day and year first above written.

HANSEN NATURAL CORPORATION

By:/s/RODNEY SACKS

Title: Chairman

/s/KIRK S. BLOWER

Kirk S. Blower