MONSTER

BEVERAGE CORPORATION

2015 Annual Report

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Annual Meeting

The annual meeting of stockholders will be held at 1:00 pm on Tuesday, June 14, 2016 at Monster Beverage Corporation, 1 Monster Way, Corona, CA 92879

TO OUR STOCKHOLDERS

2015 represented not only our 23rd consecutive record year of increased gross sales but also a transitional year in the history of our Company.

In June 2015, the Company completed the transactions that it had entered into with The Coca-Cola Company ("Coca-Cola") in August 2014, pursuant to which (1) Coca-Cola became our largest individual shareholder at 16.7%; (2) we acquired Coca-Cola's worldwide energy drink business; (3) we sold our non-energy drink business to Coca-Cola; and (4) we transitioned the major portion of our energy drink distribution in the United States to Coca-Cola bottlers and commenced with transitions to the Coca-Cola system bottlers internationally.

We have been actively engaged in negotiating distribution agreements and terms with Coca-Cola system bottlers internationally and have made good progress in this regard, which we believe will enhance our long term growth prospects internationally.

Gross sales rose to $3.1 billion in 2015, crossing the $3.0 billion threshold for the first time, from $2.8 billion in 2014. Net sales were $2.7 billion for the 2015 year, compared to $2.5 billion in 2014.

Our Monster Energy® drinks are now sold in approximately 120 countries and territories around the world. The energy drink brands we acquired from Coca-Cola are sold in approximately 111 countries and territories. We sell both Monster and the Coca-Cola energy brands in a vast majority of geographies worldwide. However, there are many countries in which we are only selling one of these brands, which provides us with the opportunity to introduce additional brands in these geographies in the near future.

I would like to express my gratitude for the support and leadership shown, in particular relating to the negotiations with Coca-Cola and the closing of the transactions, by Mr. Hilton Schlosberg, our President, Chief Operating Officer and Chief Financial Officer, and would also like to express my gratitude to the direction and guidance provided by Mr. Mark Hall our Chief Marketing Officer, who is now actively engaged in repositioning the Coca-Cola acquired brands.

During the year we sadly bade farewell to the management team and employees of the former Warehouse (Hansen) division who have transitioned to the VEB Division of Coca-Cola, and wish them well and success in their future endeavors.

I would also like to express my personal thanks to our consumers, stockholders, customers, bottlers and distribution partners and suppliers for their continued support. To our management and employees, my sincere thanks and appreciation for all their efforts, which are evidenced by our continued success. To our stockholders, thank you for the trust you have placed in our management team. We have an exciting road ahead of us and look forward to enhancing our future performance.

Sincerely,

Rodney C. Sacks
Chairman and Chief Executive Officer

UNITED STATES
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, 2015

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 001-18761

MONSTER BEVERAGE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	47-1809393
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Monster Way
Corona, California 92879
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (951) 739 - 6200

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

Title of Each Class	Name of each exchange on which registered
Common Stock, $.005 par value per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act.) Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $24,970,779,420 computed by reference to the closing sale price for such stock on the NASDAQ Global Select Market on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter.

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 February 4, 2016 was 202,919,837 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Definitive Proxy Statement to be filed subsequent to the date hereof with the Commission pursuant to Regulation 14A in connection with the registrant's 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission no later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2015.

MONSTER BEVERAGE CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

As a result of the TCCC Transaction (as defined and described below), Monster Beverage 1990 Corporation (formerly Monster Beverage Corporation) ("Old Monster") effected a holding company reorganization on June 12, 2015, pursuant to which it became a wholly owned subsidiary of New Laser Corporation, which then changed its name to "Monster Beverage Corporation". When this report uses the words "the Company" "we", "us", and "our", these words refer to Monster Beverage Corporation and its subsidiaries, unless the context otherwise requires. We are a holding company and conduct no operating business except through our consolidated subsidiaries.

Acquisitions and Divestitures

On June 12, 2015, Old Monster, now a wholly owned subsidiary of the Company, completed the transactions contemplated by the definitive agreements entered into with The Coca-Cola Company ("TCCC") on August 14, 2014, which provided for a long-term strategic relationship in the global energy drink category (the "TCCC Transaction").

Also, on June 12, 2015, Old Monster effected a holding company reorganization in connection with the TCCC Transaction by merging New Laser Merger Corp., a wholly owned subsidiary of the Company into Old Monster, with Old Monster surviving as a wholly owned subsidiary of the Company (the "Holding Company Reorganization"), and the Company changed its name from New Laser Corporation to "Monster Beverage Corporation."

In the Holding Company Reorganization, each Old Monster common share, par value $0.005 per share, outstanding immediately prior to consummation of the Holding Company Reorganization (other than any Old Monster common shares owned by Old Monster immediately prior to the closing of the TCCC Transaction, which were cancelled) was converted automatically into the right to receive one Company common share, par value $0.005 per share. In addition, upon consummation of the Holding Company Reorganization:

- each unexercised and unexpired stock option then outstanding under any equity compensation plan of Old Monster, whether or not then exercisable, ceased to represent a right to acquire Old Monster common shares and was converted automatically into a right to acquire the same number of Company common shares, on the same terms and conditions as were applicable under such Old Monster stock option; and

- each share of restricted stock and each restricted stock unit of Old Monster granted under all outstanding equity compensation plans ceased to represent or relate to Old Monster common shares and was converted automatically to represent or relate to Company common shares, on the same terms and conditions as were applicable to such Old Monster restricted stock and restricted stock units (including the vesting or other lapse restrictions (without acceleration thereof by virtue of the Holding Company Reorganization and the TCCC Transaction)).

Promptly following the effective time of the Holding Company Reorganization, Old Monster assigned to the Company all obligations of Old Monster under Old Monster's equity compensation plans and each stock option agreement, restricted stock award agreement, restricted stock unit award agreement and any similar agreement entered into pursuant to such equity compensation plans. In addition, all obligations of Old Monster under any employment agreements and indemnification agreements were assigned to the Company.

Immediately after the effective time of the Holding Company Reorganization, (1) the Company issued to TCCC 34,040,534 newly issued Company common shares representing approximately 16.7% of the total number of outstanding Company common shares (after giving effect to such issuance) (the "New Issuance") and TCCC appointed two individuals to the Company's Board of Directors, (2) TCCC transferred all of its rights in and to

TCCC's worldwide energy drink business ("KO Energy") including NOS®, Full Throttle®, Burn®, Mother®, Play®, Power Play®, Relentless®, Nalu® and other brands (the "Strategic Brands") to the Company, (3) Old Monster transferred all of its rights in and to its non-energy drink business ("Monster Non-Energy") to TCCC, (4) the Company and TCCC amended the distribution coordination agreements previously existing between them to govern the transition of third parties' rights to distribute the Company's energy products in most territories in the U.S. to members of TCCC's distribution network, which consists of owned or controlled bottlers/distributors and independent bottlers/distributors, and (5) TCCC and one of its subsidiaries made an aggregate net cash payment to the Company of $2.15 billion, $125.0 million of which is currently held in escrow, subject to release upon the achievement of milestones relating to the transition of distribution rights to TCCC's distribution network.

On the one-year anniversary of the closing of the TCCC Transaction, the then-remaining escrow amount, less an amount sufficient to cover any unresolved claims, will be released to TCCC. Any amount described above that becomes payable following the one-year anniversary will be paid directly from TCCC to the Company. As of February 29, 2016, distribution rights in the U.S. representing approximately 89% of the target case sales have been transitioned to TCCC's distribution network. As a result, $125 million is currently held in escrow. The Company expects to transition sufficient additional distribution rights to release all remaining amounts held in escrow. Therefore, the Company believes that achievement of the milestones is probable.

In accordance with ASC No. 420 "Exit or Disposal Cost Obligations", the Company expenses distributor termination costs in the period in which the written notification of termination occurs. As a result, the Company incurred termination amounts of $224.0 million for the year ended December 31, 2015 related to the distribution rights transferred to TCCC's distribution network. Such termination amounts have been expensed in full and are included in operating expenses for the year ended December 31, 2015. In addition, the Company recognized as income $39.8 million in the first quarter of 2015, related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

Reportable Segments

In the second quarter of 2015, as a result of the acquisitions and divestitures in connection with the TCCC Transaction, the Company revised its reportable segments to reflect management's current view of the business and to align its external financial reporting with its new operating and internal financial reporting model. Historical segment information has been revised to reflect the effect of this change.

We have three operating and reportable segments, (i) Finished Products, which is comprised of our Monster Energy® drink products (previously comprising the majority of the former Direct Store Delivery segment) ("Finished Products"), (ii) Concentrate, the principal products of which include the supply of concentrates for the Strategic Brands energy drinks acquired from TCCC ("Concentrate") and (iii) Other, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand) ("Other"). Corporate and unallocated amounts that do not relate to a reportable segment specifically, have been allocated to "Corporate and Unallocated." Our Finished Products segment represented 92.5%, 93.9% and 93.2% of our consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively. Our Concentrate segment represented 5.3% of our consolidated net sales for the year ended December 31, 2015 (effectively from June 12, 2015). Our Other segment represented 2.2%, 6.1% and 6.8% of our consolidated net sales for the years ended December 31, 2015 (effectively through June 12, 2015), 2014 and 2013, respectively.

Our Finished Products segment generates net operating revenues by selling ready-to-drink packaged energy drinks to full service beverage distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food service customers and the military.

Our Concentrate segment generates net operating revenues by selling "concentrates" and/or "beverage bases" to authorized bottling and canning operations. Such bottlers generally combine the concentrates and/or beverage bases with sweeteners and water, which are then filled in authorized containers bearing the Company's respective trademarks and sold to customers directly (or in some cases through wholesalers or other bottlers).

Generally, the Finished Products segment generates higher per case net operating revenues, but lower per case gross profit margins than the Concentrate segment.

For financial information about our reporting segments and geographic areas, refer to Note 18 of Notes to the Consolidated Financial Statements set forth in "Part II, Item 8 – Financial Statements and Supplementary Data" of this report, incorporated herein by reference. For certain risks with respect to our energy drinks see "Part I, Item 1A – Risk Factors" below.

Overview

We develop, market, sell and distribute energy drink beverages and/or concentrates for energy drink beverages, primarily under the following brand names:

- Monster Energy®
- Monster Rehab®
- Monster Energy Extra Strength Nitrous Technology®
- Java Monster®
- Muscle Monster®
- Mega Monster Energy®
- Punch Monster®
- Juice Monster®
- M3®
- Übermonster®
- BU®
- Nalu®
- NOS®
- Full Throttle®
- Burn®
- Mother®
- Ultra®
- Play® and Power Play®
- Gladiator®
- Relentless®
- Samurai®
- BPM®

Our Monster Energy® brand energy drinks, which represented 92.5%, 93.9% and 93.2% of our net sales for the years ended December 31, 2015, 2014 and 2013, respectively, primarily include the following:

- Monster Energy®
- Lo-Carb Monster Energy®
- Monster Assault®
- Juice Monster® Khaos®
- Juice Monster® Ripper®
- Juice Monster® Pipeline Punch™
- Monster Energy® Absolutely Zero
- Monster Energy® Import
- Punch Monster® Baller's Blend® (formerly Dub Edition)
- Punch Monster® Mad Dog (formerly Dub Edition)
- Monster Rehab® Tea + Lemonade + Energy
- Monster Rehab® Raspberry Tea + Energy (formerly Rojo)
- Monster Rehab® Green Tea + Energy
- Monster Rehab® Tea + Orangeade + Energy
- Monster Rehab® Tea + Pink Lemonade + Energy
- Monster Rehab® Peach Tea + Energy
- Muscle Monster® Vanilla
- Muscle Monster® Chocolate
- Java Monster® Kona Blend
- Java Monster® Loca Moca®
- Java Monster® Mean Bean®
- Java Monster® Vanilla Light
- Java Monster® Irish Blend®
- Java Monster® Cappuccino
- Mega Monster Energy®
- Monster Energy Extra Strength Nitrous Technology® Super Dry™
- Monster Energy Extra Strength Nitrous Technology® Anti-Gravity®
- M3® Monster Energy® Super Concentrate
- Monster Energy® Zero Ultra
- Monster Energy® Ultra Blue™
- Monster Energy® Ultra Red™
- Monster Energy® Ultra Black™
- Monster Energy® Ultra Sunrise®
- Monster Energy® Ultra Citron™

- Muscle Monster® Strawberry
- Muscle Monster® Banana
- Monster Ghost™ M-100™
- Monster Phantom™ M-100™
- Monster Energy® Unleaded®
- Übermonster® Energy Brew™
- Monster Energy® Valentino Rossi

Industry Overview

The “alternative” beverage category combines non-carbonated ready-to-drink iced teas, lemonades, juice cocktails, single-serve juices and fruit beverages, ready-to-drink dairy and coffee drinks, energy drinks, sports drinks, and single-serve still water (flavored, unflavored and enhanced) with “new age” beverages, including sodas that are considered natural, sparkling juices and flavored sparkling beverages. According to Beverage Marketing Corporation, domestic U.S. wholesale sales in 2015 for the “alternative” beverage category of the market are estimated at approximately $42.5 billion, representing an increase of approximately 9.6% over the estimated domestic U.S. wholesale sales in 2014 of approximately $38.8 billion.

Corporate History

In the 1930s, Hubert Hansen and his 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’s® trademark. In 1977, Tim Hansen, one of the grandsons of Hubert Hansen, perceived a demand for shelf stable pasteurized natural juices and juice blends and formed Hansen Foods, Inc. (“HFI”). HFI expanded its product line from juices to include Hansen’s Natural Soda® brand sodas. In 1990, California Co-Packers Corporation (d/b/a Hansen Beverage Company) (“CCC”) acquired certain assets of HFI, including the right to market the Hansen’s® brand name. In 1992, we acquired the Hansen’s® brand natural soda and apple juice business from CCC. Under our ownership, the Hansen’s® beverage business significantly expanded to include a wide range of beverages within the growing “alternative” beverage category including, in particular, energy drinks. In 1999, we acquired all of FJC’s rights to manufacture, sell and distribute fresh non-pasteurized juice products under the Hansen’s® trademark together with certain additional rights. In 2012, we changed our name from Hansen Natural Corporation to Monster Beverage Corporation. In 2015, as part of the TCCC Transaction, we acquired the Strategic Brands from TCCC and disposed of our non-energy drink business.

2015 Product Introductions

During 2015, we continued to expand our existing energy drink portfolio and further develop our distribution markets. During 2015, we introduced the following Monster Energy® brand energy drink products, in addition to the Strategic Brands acquired as part of the TCCC Transaction:

- Monster Energy® Ultra Citron™ , a carbonated energy drink which contains zero calories and zero sugar (January 2015).
- Monster Rehab® Peach Tea + Energy (January 2015).
- Juice Monster® Pipeline Punch™ (July 2015).
- Muscle Monster® Banana (July 2015).
- Monster Ghost™ M-100™ , an exclusive limited time listing with a convenience customer (July 2015).
- Monster Phantom™ M-100™ , an exclusive limited time listing with certain convenience customers (July 2015).
- Monster Rehab® Raspberry Tea + Energy (August 2015).

In the normal course of business we discontinue certain products and/or product lines. Those products or product lines discontinued in 2015 (other than those disposed of as part of the TCCC Transaction), either individually or in aggregate, did not have a material adverse impact on our financial position, results of operations or liquidity.

Products – Finished Products Segment

Monster Energy® Brand Energy Drinks:

Monster Energy® Drinks – a line of carbonated energy drinks. Our Monster Energy® drinks contain vitamins, minerals, nutrients, herbs and other dietary ingredients (collectively, "dietary ingredients") and are marketed through our full service distributor network. We offer the following energy drinks under the Monster Energy® drink product line: Monster Energy®, Lo-Carb Monster Energy®, Monster Assault®, Juice Monster® Khaos®, Juice Monster® Ripper®, Juice Monster® Pipeline Punch™, Monster Energy® Absolutely Zero, Monster Energy® Import, Punch Monster® Baller's Blend®, Punch Monster® Mad Dog, Monster Ghost™ M-100™, Monster Phantom™ M-100™, Mega Monster Energy®, M3® Monster Energy® Super Concentrate energy drinks, Übermonster® Energy Brew™, Monster Energy® Zero Ultra, Monster Energy® Ultra Blue™, Monster Energy® Ultra Red™, Monster Energy® Ultra Black™, Monster Energy® Ultra Sunrise®, Monster Energy® Ultra Citron™, Monster Energy® Unleaded® and Monster Energy® Valentino Rossi.

Java Monster® Coffee + Energy Drinks – a line of non-carbonated dairy based coffee + energy drinks. We offer the following coffee + energy drinks under the Java Monster® product line: Java Monster® Kona Blend, Java Monster® Loca Moca®, Java Monster® Mean Bean®, Java Monster® Vanilla Light, Java Monster® Irish Blend® and Java Monster® Cappuccino.

Muscle Monster® Energy Shakes – a line of non-carbonated energy shakes containing 25-grams of protein. We offer the following energy shakes under the Muscle Monster® Energy Shake product line: Vanilla, Chocolate, Strawberry and Banana.

Monster Energy Extra Strength Nitrous Technology® Energy Drinks – a line of carbonated energy drinks containing nitrous oxide. We offer the following energy drinks under the Monster Energy Extra Strength Nitrous Technology® product line: Super Dry™ and Anti Gravity®.

Monster Rehab® Tea + Energy Drinks – a line of non-carbonated energy drinks with electrolytes. We offer the following tea + energy drinks under the Monster Rehab® drink line: Monster Rehab® Tea + Lemonade + Energy, Monster Rehab® Raspberry Tea + Energy, Monster Rehab® Green Tea + Energy, Monster Rehab® Tea + Orangeade + Energy, Monster Rehab® Tea + Pink Lemonade + Energy and Monster Rehab Peach® Tea + Energy.

Products – Concentrate Segment

Strategic Brands Energy Drinks:

BU® – a line of carbonated energy drinks. We offer the following energy drinks under the BU® product line: Original.

Burn® – a line of carbonated energy drinks. We offer the following energy drinks under the Burn® product line: Original, Zero, Berry, Lemon and Blue Refresh.

BPM® – a line of carbonated energy drinks. We offer the following energy drinks under the BPM® product line: Focus and Hydrate.

Full Throttle® – a line of carbonated energy drinks. We offer the following energy drinks under the Full Throttle® product line: Citrus, Agave and Berry.

Gladiator® – a line of carbonated energy drinks. We offer the following energy drinks under the Gladiator® product line: Original.

Mother® – a line of carbonated energy drinks. We offer the following energy drinks under the Mother® product line: Original, Sugar Free, Frosty Berry, Green Storm, Surge Orange and Revive.

Nalu® – a line of carbonated energy drinks. We offer the following energy drinks under the Nalu® product line: Original and Exotic.

NOS® – a line of carbonated energy drinks. We offer the following energy drinks under the NOS® product line: Original, Original Zero, Charged Citrus, Charged Citrus Zero, Grape and Loaded Cherry.

Play® and Power Play® – a line of carbonated energy drinks. We offer the following energy drinks under the Play® and Power Play® product line: Original, Light, Dare and Forge.

Relentless® – a line of carbonated energy drinks. We offer the following energy drinks under the Relentless® product line: Origin, Origin Ultra, Apple Kiwi, Lemon Ice and Cherry.

Samurai® – a line of carbonated energy drinks. We offer the following energy drinks under the Samurai® product line: Strawberry and Fruity.

Ultra® – a line of carbonated energy drinks. We offer the following energy drinks under the Ultra® product line: Original and Orange.

Products – Other Segment (sales through June 12, 2015)

As part of the TCCC Transaction, we transferred all of our rights in and to the following products to TCCC with the exception of Hansen's® and Blue Sky® energy drinks, which were discontinued.

Peace Tea® Iced Teas and Juice Drinks - a line of ready-to-drink iced teas and juice drinks.

Hansen's® Brand Sodas - Hansen's® brand sodas have been a leading natural soda brand on the West Coast of the United States for more than 35 years and are made with natural flavors. Hansen's® brand sodas, sweetened with cane sugar, and Hansen's® Diet Sodas, sweetened with Splenda® no calorie sweetener and Acesulfame-K, contain no preservatives, sodium, or caffeine.

Blue Sky® Products - Blue Sky® products contain no preservatives, artificial sweeteners or caffeine (other than our Blue Sky® energy drinks) and are made with natural flavors.

Hansen's® Energy Drinks - Hansen's® Energy Drinks competed in the "functional" beverage category, namely, beverages that provide a benefit in addition to simply delivering refreshment.

Hansen's® Juice Products - The juice product line contains 100% juice and 120% of the United States Recommended Daily Allowances for vitamin C.

Hansen's® Aseptic Juices – The line of aseptically packed boxed juice products, includes our dual-branded multi-vitamin 100% juice line, which is sold in conjunction with Costco Wholesale Corporation.

Hubert's® Lemonades - Hubert's® Lemonade is a line of premium ready-to-drink lemonades available in a variety of flavors. Hubert's® Lemonade is sweetened with cane sugar and stevia leaf extract and contains no preservatives, artificial sweeteners, artificial flavors or caffeine.

Other Products

We continue to evaluate and, where considered appropriate, introduce additional flavors and types of beverages to complement our existing product lines. We may also evaluate, and where considered appropriate,

introduce additional types of consumer products we consider are complementary to our existing products and/or to which our brand names are able to add value. Under the terms of the TCCC Transaction, we have agreed, subject to certain exceptions, not to compete with TCCC in non-alcoholic ready-to-drink beverages, other than the energy drink category.

We also develop and supply, on a limited exclusive basis, selected beverages in different formats to a limited number of customers, with the objective of solidifying and/or enhancing our relationship with those customers.

Products – Packaging

We package our products in a variety of different package types and sizes including, but not limited to, aluminum cans, aluminum Cap Cans, sleek aluminum cans, aluminum cans with resealable ends and glass bottles. In addition to these packages, our bottlers package certain of our Strategic Brands in polyethylene terephthalate (PET) plastic bottles.

Manufacture and Distribution

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

For our Finished Products segment, we purchase concentrates, sweeteners, juices, flavors, dietary ingredients, cans, bottles, caps, labels, trays, boxes and other ingredients for our beverage products from our suppliers, which are delivered to our various third party bottlers and co-packers. In some cases, certain common supplies may be purchased by our various third party bottlers and co-packers. Depending on the product, the third party bottlers or packers add filtered water and/or other ingredients (including dietary ingredients) for the manufacture and packaging of the finished products into our approved containers in accordance with our formulas. Depending on the beverage, the bottler/packer may also add carbonation to the products as part of the production process.

For our Concentrate segment, we purchase concentrates and/or beverage bases which are then sold to certain of our various third party bottlers/distributors. The third party bottlers/distributors are responsible for the manufacture and packaging of the finished products including the procurement of all other required ingredients and packaging materials.

Co-Packing Arrangements

All of our beverage products are manufactured by various third party bottlers and co-packers situated throughout the United States and abroad, under separate arrangements with each party. The majority of our co-packaging arrangements are generally on a month-to-month basis or are terminable upon request and do not generally obligate us to produce any minimum quantities of products within specified periods.

In some instances subject to agreement, certain equipment may be purchased by us and installed at the facilities of our co-packers to enable them to produce certain of our products. In general, such equipment remains our property and is returned to us upon termination of the packing arrangements with such co-packers, unless we are reimbursed by the co-packer via a per-case credit over a pre-determined number of cases that are produced at the facilities concerned.

For our Finished Products segment, we are generally responsible for arranging for the purchase and delivery to our third party bottlers and co-packers of the containers in which our beverage products are packaged.

We pack certain of our products in a number of locations both domestically and internationally, to enable us to produce products closer to the markets where they are sold, with the objective of reducing freight costs as

well as transportation-related product damages. As distribution volumes increase in both our domestic and international markets, we will continue to source additional packing arrangements closer to such markets to further reduce freight costs. Our ability to estimate demand for our products 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 and/or are unable to secure sufficient ingredients or raw materials including, but not limited to aluminum cans, aluminum Cap Cans, sleek aluminum cans, aluminum cans with resealable ends, PET plastic bottles, glass, labels, flavors, juice concentrates, dietary ingredients, other ingredients and certain sweeteners, and/or procure adequate packing arrangements and/or obtain adequate or timely shipment of our products, we might not be able to satisfy demand on a short-term basis. (See “Part I, Item 1A – Risk Factors”).

Our production arrangements are generally of short duration or are terminable upon our request. For certain of our products, including our Monster Energy® brand energy drinks, our Java Monster® product line, our Muscle Monster® product line, our Punch Monster® product line and certain of our other products, there are limited co-packing facilities in our domestic and international markets with adequate capacity and/or suitable equipment to package our products. We believe a short disruption or delay in production would not significantly affect our revenues; however, as alternative co-packing facilities in our domestic and international markets with adequate long-term capacity may not be available for such products, either at commercially reasonable rates and/or within a reasonably short time period, if at all, a lengthy disruption or delay in production of any of such products could significantly affect our revenues.

We continue to actively seek alternative and/or additional co-packing facilities around the world (including in Africa, Asia, Australia, Canada, Central America, China, Europe, India, Mexico, the Middle East, South America and the United States) with adequate capacity and capability for the production of our various products to minimize transportation costs and transportation-related damages as well as to mitigate the risk of a disruption in production and/or importation.

Distribution Agreements

During 2015, we continued to expand distribution of our products in both our domestic and international markets, due in part to the TCCC Transaction, and our products are now sold in approximately 156 countries and territories around the world.

<u>*Monster Energy® Distribution Agreements*</u>

We have entered into agreements with various distributors providing for the distribution of our products during initial terms of up to twenty years, which may be renewed thereafter for additional terms ranging from one to five years. Such agreements remain in effect for their then current term as long as our products are being distributed, but are subject to specified termination rights held by each party, which may include by way of example, and depending on the form of agreement, termination upon: mutual agreement; material breach of the agreement by, or an insolvency of, either party; deadlock; change of control; changes in legal or regulatory conditions; and termination of certain related agreements. Additionally, we are entitled to terminate certain of such agreements at any time without cause upon payment of a termination fee, including the distribution agreements with select Anheuser-Busch distributors (the “AB Distributors”) and certain distribution agreements with TCCC bottlers that were entered into prior to 2015.

Certain of our material distribution agreements for our Monster Energy® brand energy drinks, as amended from time to time, are described below:

(a) Amended and Restated Distribution Coordination Agreement with TCCC, pursuant to which we have designated, and in the future may designate, subject to TCCC’s approval, territories in Canada and the United States in which bottlers from TCCC’s network of wholly or partially-owned and independent bottlers, including Coca-Cola Refreshments USA, Inc. (“CCR”), Coca-Cola Bottling Company

("CCBC"), CCBCC Operations, LLC ("Consolidated"), United Bottling Contracts Company, LLC ("United"), and other TCCC independent bottlers (collectively, the "TCCC North American Bottlers") will distribute and sell, or continue to distribute and sell, our Monster Energy® brand energy drinks. In connection with the TCCC Transaction, the parties entered into the Amended TCCC North American Coordination Agreement in order to, among other things, change the procedure under which the TCCC North American Bottlers are appointed in specified territories.

(b) Amended and Restated Distribution Agreement with CCR, pursuant to which CCR distributes, directly and through certain sub-distributors, our Monster Energy® brand energy drinks in a large portion of the United States.

(c) Amended and Restated International Distribution Coordination Agreement (the "Amended TCCC International Coordination Agreement") with TCCC, pursuant to which we have designated, and in the future may designate, countries in which we wish to appoint TCCC distributors to distribute and sell our Monster Energy® brand energy drinks, subject to TCCC's approval. In connection with the TCCC Transaction, the parties entered into the Amended TCCC International Coordination Agreement in order to, among other things, change the procedure under which the TCCC distributors are appointed in specified territories.

(d) Monster Energy International Distribution Agreement and Monster Energy Belgium Distribution Agreement with Coca-Cola Enterprises, Inc. ("CCE"), pursuant to which CCE was appointed to distribute directly, and through certain sub-distributors, our Monster Energy® brand energy drinks in Belgium, France, Great Britain, Luxembourg, Monaco, the Netherlands, Norway and Sweden.

(e) CCE, Coca-Cola Iberian Partners, the bottler operating primarily in Spain and Portugal, and Coca-Cola Erfrischungsgetranke AG, the bottler operating in Germany, have agreed to merge their business interests to form a newly created entity, Coca-Cola European Partners (CCEP). Once this combination is effected, a significant portion of our European distribution will be controlled by CCEP.

(f) Additionally, we have entered into distribution agreements for certain of our Monster Energy products with various TCCC network bottlers, both in the United States and internationally.

Strategic Brands Distribution Agreements

On June 12, 2015, in connection with the closing of the TCCC Transaction, TCCC transferred to the Company all of its rights in and to TCCC's worldwide energy drink business including: NOS® and Full Throttle® (the "U.S. Strategic Brands"); and Burn®, Mother®, Play®, Power Play®, Relentless®, Nalu® and other brands (the "International Strategic Brands," and together with the U.S. Strategic Brands, the "Strategic Brands").

We have entered into distribution coordination agreements with TCCC pursuant to which we have designated, and in the future may designate, subject to TCCC's approval, territories in which TCCC bottlers will distribute our Strategic Brands energy drinks.

We have entered into agreements with various international bottlers from TCCC's network of wholly or partially-owned and independent bottlers (the "TCCC International Bottlers") providing for the distribution and sale of the International Strategic Brands energy drinks during initial terms of up to ten years, which may be renewed thereafter for additional terms ranging from two to ten years. Such agreements remain in effect for their then current term, but are subject to specified termination rights held by each party, which may include, by way of example, and depending on the form of agreement, termination upon: material breach of the agreement by either party; insolvency or bankruptcy of a TCCC International Bottler; a change of control of the TCCC International Bottler; or changes in legal or regulatory conditions.

We distribute NOS® drinks in the United States through distribution agreements with TCCC North American Bottlers that were assigned to us in connection with the closing of the TCCC Transaction (the "Existing NOS® Agreements"). The Existing NOS® Agreements provide for the distribution and sale of NOS® drinks in the United States during initial terms of ten years, with automatic renewal for ten year periods, unless terminated in accordance with the terms of the distribution agreement. These agreements are subject to specified termination rights held by each party, which include, by way of example, termination without cause with the payment of liquidated compensation in certain cases and termination for cause (which includes, among other things, insolvency and breach of the agreement).

We distribute Full Throttle® drinks in the United States through TCCC North American Bottlers pursuant to the existing relationships established by TCCC before the closing of the TCCC Transaction. We anticipate entering into new distribution agreements with TCCC North American Bottlers that are substantially similar to the Existing NOS® Agreements, but that provide for the distribution of NOS® and Full Throttle drinks, in 2016.

Distribution levels vary by product and geographic location. Gross sales outside the United States accounted for $713.2 million, $657.9 million and $580.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. The distribution rights relating to each territory for which the Company sent notices of termination in February 2015, including certain AB Distributors in the United States described above, have been transitioned to TCCC's network of owned or controlled bottlers/distributors and independent bottlers/distributors as of the effective date of termination of the current third party's rights in the applicable territory.

Raw Materials and Suppliers

The principal raw materials used in the manufacturing of our products are aluminum cans, aluminum Cap Cans, sleek aluminum cans, aluminum cans with resealable ends, PET plastic bottles as well as flavors, juice concentrates, sugar, sucralose, milk, cream, protein, dietary ingredients and other packaging materials, the costs of which are subject to fluctuations.

For our Monster Energy® brand energy drinks, we purchase beverage flavors, concentrates, juices, dietary ingredients, cane sugar, sucrose, sucralose and other sweeteners as well as other ingredients from independent suppliers located in the United States and abroad.

For our Strategic Brands energy drinks, we purchase concentrates and/or beverage bases from TCCC in the United States and abroad.

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. We purchase certain flavors, vitamin blends and herbs, certain other dietary ingredients and sucralose, as well as certain other ingredients, from single manufacturers. Additionally, certain of our containers and flavors are only manufactured by single companies.

With regard to our Java Monster® and Muscle Monster® product lines, the dairy and protein industries are subject to shortages and increased demand from time to time, which may result in higher prices.

Generally, for our Monster Energy® brand energy drinks, flavor suppliers own the proprietary rights to their flavor formulas which they make available to customers for specific use in the production of their customers' products. Consequently, we do not have possession of the list of flavor ingredients or flavor formulas used in the production of our products and certain of our blended concentrates (our "Product Flavor Formulas") and we may be unable to obtain comparable flavors or concentrates from alternative suppliers on short notice. Our flavor suppliers generally do not make flavors used in our products available to third parties. We have also entered into agreements with certain of our flavor suppliers who have agreed, subject to the terms of such agreements, to maintain our Product Flavor Formulas in confidence, not to use our Product Flavor Formulas in the production of other customers' products and to provide us with access to our Product Flavor Formulas under certain circumstances, such as the bankruptcy of the flavor supplier. As part of the TCCC Transaction, we acquired

ownership of the flavor formulas for the Strategic Brands, with limited exceptions. We have identified alternative suppliers for many of the ingredients contained in many of our beverages. However, industry-wide shortages of certain fruits and fruit juices, coffee, tea, dietary ingredients and sweeteners have been, and could from time to time in the future be, encountered, 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 as well as to negotiate arrangements with suppliers, which would enable us to obtain access to certain concentrates or our flavor formulas 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, 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 what we consider to be reasonable economic levels. We have historically developed and successfully introduced new products, flavors and packaging for our products and intend to continue to develop and introduce additional new beverages, flavors and innovative packaging.

Competition

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, development of new products and flavors as well as promotional and marketing strategies. Our products compete with a wide range of drinks produced by a relatively large number of companies, many 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, brand exposure and marketing as well as pricing. We also compete for distributors who will give our products more focus than those of our competitors, provide stable and reliable distribution and secure adequate shelf space in retail outlets. Competitive pressures in the "alternative", energy, coffee and "functional" 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 effect on our business and results of operations.

We have experienced and continue to experience competition from new entrants in the energy drink and energy shot categories. A number of companies who market and distribute iced teas, juice cocktails and enhanced waters in larger volume packages, such as 16- and 20-ounce glass and plastic bottles, including Sobe, Sobe Life Water, Vitamin Water, Snapple, Arizona, Fuse, Ocean Spray, Honest Tea, Gold Peak Tea, Activate and Mountain Dew Kickstart, have added dietary ingredients to their products with a view to marketing their products as "functional" or energy beverages or as having "functional" benefits. We believe that many of those products contain lower levels of dietary ingredients, principally deliver refreshment and are positioned differently from our energy or "functional" drinks.

We are also subject to increasing levels of regulatory issues particularly in relation to the registration and taxation of our products in certain new international markets, which may put us at a competitive disadvantage. (See "Government Regulation" below for additional information).

We compete not only for consumer preference, but also for maximum marketing and sales 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 in many cases with products of much larger and in some cases better financed competitors, including the products of numerous nationally and internationally known producers such as TCCC, PepsiCo, Inc. ("PepsiCo"), The Dr. Pepper Snapple Group, Inc. (the "DPS Group") and Red Bull Gmbh. We also compete with companies that are smaller or primarily local in

operation. Our products also compete with private label brands such as those carried by grocery store chains, convenience store chains and club stores.

Domestically, our energy drinks compete directly with Red Bull, Rockstar, No Fear, Amp, Adrenaline Rush, Venom, Redline, Rip It, Xenergy, 5-Hour Energy Shots, MiO Energy, Stacker 2, VPX Redline Energy Shots, and many other brands. PepsiCo also markets and/or distributes additional products in that market segment such as Pepsi Max, Mountain Dew, Mountain Dew MDX and Mountain Dew Kickstart. Internationally, our energy drinks compete with Red Bull, Rockstar, V-Energy, Lucozade, Adrenaline Rush and numerous local and private label brands that usually differ from country to country, such as Hell, Shock, Tiger, Boost, TNT, Shark, Hot 6, Battery, Bullit, Flash Up, Black, Non-Stop, Bomba, Semtex, Vive 100, Dark Dog, Speed, Guaraná, Sting, M-150, Lipovitan, Bacchus, Volt, Mr. Big and a host of other international brands.

Our Java Monster® product line competes directly with Starbucks Frappuccino, Starbucks Double Shot, Starbucks Double Shot Energy Plus Coffee and other Starbucks coffee drinks, Rockstar Roasted, Seattle's Best and illy issimo coffee.

Our Muscle Monster® product line competes directly with Muscle Milk, Core Power, ABB Pure Pro and Gatorade Recover Protein Shake.

Sales and Marketing

Our sales and marketing strategy for all our beverages is to focus our efforts on developing brand awareness through image enhancing programs and product sampling. We use our branded vehicles and other promotional vehicles at events where we offer samples of our products to consumers. We utilize "push-pull" methods to enhance shelf and display space exposure in sales outlets (including advertising, in-store promotions and in-store placement of point-of-sale materials, racks, coolers and barrel coolers) to enhance demand from consumers for our products. We also support our brands with prize promotions, price promotions, competitions, endorsements from selected public and sports figures, personality endorsements (including from television and other well-known sports personalities), coupons, sampling and sponsorship of selected causes, events, athletes and teams. In-store posters, outdoor posters, print, radio and television advertising (directly and through our sponsorships and endorsements) and coupons may also be used to promote our brands.

We believe that one of the keys to success in the beverage industry is differentiation, making our brands and products visually 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 are redesigned from time to time to maximize their visibility and identification, wherever they may be placed in stores, which we will continue to reevaluate from time to time.

Where appropriate, we partner with our retailers and wholesalers to assist our marketing efforts.

We increased expenditures for our sales and marketing programs by approximately 19.0% in 2015 compared to 2014. As of December 31, 2015, we employed 1,659 employees in sales and marketing activities, of which 1,028 were employed on a full-time basis.

Customers

Our customers are primarily full service beverage bottlers/distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food service customers and the military. Gross sales to our various customer types for the years ended December 31, 2015, 2014 and 2013 are reflected below. Such information includes sales made by us directly to the customer types concerned, which include our full service beverage bottlers/distributors in the United States. Such full service beverage bottlers/distributors in turn sell certain of our products to the same customer types listed below. We limit our description of our customer types to include only our sales to such full service bottlers/distributors without reference to such distributors' sales to their own customers.

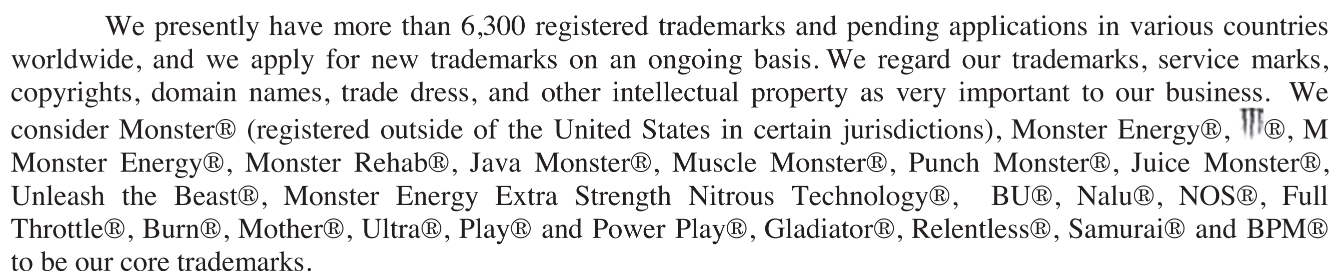
	2015	2014	2013
U.S. full service bottlers/distributors	65%	62%	63%
Club stores, drug chains & mass merchandisers	9%	9%	9%
International full service bottlers/distributors	23%	23%	23%
Retail grocery, specialty chains and wholesalers	2%	4%	3%
Other	1%	2%	2%

Our customers include the TCCC North American Bottlers, CCE, Coca-Cola Hellenic, Swire Coca-Cola, USA and certain other Coca-Cola independent bottlers, Asahi, Kalil Bottling Group, Wal-Mart, Inc. (including Sam's Club) Costco and AB Distributors. In February 2015, in accordance with its existing agreements with the applicable AB Distributors, the Company sent notices of termination to the majority of the AB Distributors in the United States for the termination of their respective distribution agreements, to be effective at various dates beginning in March 2015. The associated distribution rights have been transitioned to TCCC's network of owned or controlled bottlers/distributors and independent bottlers/distributors as of the effective date of termination of the AB Distributors' rights in the applicable territories (see Note 9 "Distribution Agreements" in the notes to consolidated financial statements). TCCC, through certain wholly-owned subsidiaries (the "TCCC Subsidiaries"), accounted for approximately 42%, 29% and 29% of our net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

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. However, the energy drink category appears to be less seasonal than traditional beverages. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets, particularly internationally, where temperature fluctuations may be more pronounced, the addition of new bottlers and distributors, changes in the mix of the sales of our finished products and increased or decreased advertising and promotional expenses.

Intellectual Property



We presently have more than 6,300 registered trademarks and pending applications in various countries worldwide, and we apply for new trademarks on an ongoing basis. We regard our trademarks, service marks, copyrights, domain names, trade dress, and other intellectual property as very important to our business. We consider Monster® (registered outside of the United States in certain jurisdictions), Monster Energy®, ®, M Monster Energy®, Monster Rehab®, Java Monster®, Muscle Monster®, Punch Monster®, Juice Monster®, Unleash the Beast®, Monster Energy Extra Strength Nitrous Technology®, BU®, Nalu®, NOS®, Full Throttle®, Burn®, Mother®, Ultra®, Play® and Power Play®, Gladiator®, Relentless®, Samurai® and BPM® to be our core trademarks.

We protect our trademarks by applying for registrations and registering our trademarks with the United States Patent and Trademark Office and with government agencies in other countries around the world, particularly where our products are distributed and sold. We assert copyright ownership of the statements, graphics and content appearing on the packaging of our products and in our marketing materials. We aggressively pursue individuals and/or entities seeking to profit from the unauthorized use of our trademarks and copyrights, including, without limitation, wholesalers, street vendors, retailers, online auction site sellers and website operators. In addition to initiating civil actions against these individuals and entities, we work with law enforcement officials where appropriate.

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 enforce and protect our trademark rights against third parties infringing or disparaging our trademarks by opposing registration of conflicting trademarks, and initiating litigation as necessary.

Government Regulation

The production, distribution and sale in the United States of many of our products are subject to various U.S. federal and state regulations, including but not limited to: the Federal Food, Drug and Cosmetic Act ("FD&C Act"); the Occupational Safety and Health Act; various environmental statutes; and a number of other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, marketing, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of many of our products are also subject to numerous statutes and regulations.

We also may in the future be affected by other existing, proposed and potential future regulations or regulatory actions, including those described below, any of which could adversely affect our business, financial condition and results of operations. See "Part I, Item 1A – Risk Factors – Changes in government regulation, or failure to comply with existing regulations, could adversely affect our business, financial condition and results of operations" below for additional information.

Furthermore, legislation may be introduced in the United States and other countries at the federal, state and municipal level in respect of each of the subject areas discussed below. Public health officials and health advocates are increasingly focused on the public health consequences associated with obesity, especially as the disease affects children, and are seeking legislative change to reduce the consumption of sweetened beverages. There also has been an increased focus on caffeine content in beverages, as discussed below.

In January 2013, the U.S. Food and Drug Administration ("FDA") announced that it would be investigating the safety of caffeine in food products, particularly its effects on children and adolescents. Also in January 2013, we received a letter from Representative Edward J. Markey, Senator Richard J. Durbin and Senator Richard Blumenthal requesting information from us to enable them to better understand a number of issues relating in part to an investigation they said had been launched by the FDA examining energy drinks and potential health risks, particularly for groups of vulnerable individuals, including young people and those with pre-existing cardiac conditions. We provided a response to their letter. The Congressmen issued a report and recommendations in April 2013, most of which we had already implemented. The Congressmen released a follow-up report in January 2015, recommending, inter alia, that the energy drink industry not market to consumers under age 18 and not market their products for hydration, and that the FDA develop and release definitions and guidance for this market sector. In addition, other organizations, such as the European Food Safety Authority, have also published reports, studies, articles and opinions on caffeine and energy drinks.

Product Labeling and Advertising. We are subject to Proposition 65 in California, a law which requires that a specified warning be provided with respect to any product sold in California that contains in excess of threshold amounts of a substance listed by that state as having been found to cause cancer or reproductive toxicity. In May 2015, bisphenol-A (BPA), a food-grade chemical commonly used in the coating of the interiors of aluminum cans, was added to that list. We anticipate that the warning requirement will be deemed to be effective on May 11, 2016. However, our aluminum can suppliers are testing BPA non-intent coating for commercialization prior to this date. If we are required to add warning labels to any of our products or place warnings in certain other locations where our products are sold, it is difficult to predict whether, or to what extent, such a warning would have an impact on sales of our products in those locations or elsewhere.

In addition, the FDA is considering revising regulations with respect to serving size information and nutrition labeling on food and beverage products, including to require a declaration of added sugars. If adopted, we may incur significant costs to alter our existing packaging materials to comply with new regulations. Additionally, revised serving size information may impact and/or reduce and/or otherwise affect the purchase and consumption of our products by consumers.

In July 2012, we received a subpoena from the Attorney General for the State of New York in connection with an investigation relating to the advertising, marketing, promotion, ingredients, usage and sale of our Monster Energy® brand energy drinks. We cannot predict the outcome of this inquiry and what effect, if any, it may have on our business, financial condition or results of operations.

In October 2012, we received a written request for information from the City Attorney for the City and County of San Francisco concerning the Company's advertising and marketing of its Monster Energy® brand energy drinks and specifically concerning the safety of its products for consumption by adolescents. See "Part I, Item 3 – Legal Proceedings" below for additional information.

Other countries, such as Kuwait, Qatar, Saudi Arabia and UAE are also considering labeling requirements, which may require us to amend our labels and warning statements.

Age and Other Restrictions on Energy Drink Products. Proposals to limit or restrict the sale of energy drinks to minors and/or persons below a specified age and/or restrict the venues in which energy drinks can be sold and/or to restrict the use of the Supplemental Nutrition Assistance Program (formerly food stamps) to purchase energy drinks have been raised and/or enacted in certain U.S. states, counties, municipalities and/or in certain foreign countries. For example, Lithuania has enacted legislation prohibiting the sale of energy drinks to persons under the age of 18 and in 2016 legislation will come into force in Latvia restricting advertising of energy drinks, prohibiting sales in educational establishments and prohibiting the sale to persons under the age of 18 of energy drinks containing certain ingredients (such as taurine).

Excise Taxes on Energy Drinks. Legislation that would impose an excise tax on sweetened beverages has been proposed in Congress, in some state legislatures, including Connecticut, Hawaii, Massachusetts, Nebraska, Oregon, Rhode Island and Texas, and by some local governments, with excise taxes generally ranging between $0.01 and $0.02 per ounce of sweetened beverage. Berkeley, California, became the first jurisdiction to pass such a measure, by ballot question approved in November 2014. A general tax of $0.01 per ounce on certain sweetened drinks, including energy drinks, became effective in Berkeley on January 1, 2015. The imposition of such taxes on our products would increase the cost of certain of our products or, to the extent levied directly on consumers, make certain of our products less affordable. Excise taxes on sweetened beverages already are in effect in certain foreign countries where we do business. For example, Mexico instituted a 25% excise tax on certain energy drinks, to which our products are currently not subject and Mexico has also enacted a $1 MXN tax per liter on sugar-sweetened beverages. In addition, legislation has been proposed that would specifically impose excise taxes on energy drinks. For example, the Ukrainian Parliament is considering a draft law that would impose an excise tax on energy drinks based on the caffeine content and ingredients. Such targeted legislation has been passed in other countries. Hungary has instituted an excise tax to which our products are subject and France approved a tax on beverages containing more than 220 milligrams of caffeine per liter. We adjusted the caffeine levels in certain of our Monster® Energy products that are sold in France to address this regulation.

Limits on Caffeine Content. Legislation has been proposed to limit the amount of caffeine that may be contained in beverages, including energy drinks. Some jurisdictions where we do business have prescribed limited caffeine content for beverages. On January 1, 2013, regulations took effect in Canada that limit the amount of caffeine contained in any beverage in a single-serving can or bottle to less than 180 milligrams. We adjusted the caffeine levels in certain of our Monster Energy® products that are sold in Canada to address these regulations, although the majority of our products were unaffected. Caffeine limit restrictions or restrictions on combining caffeine with other ingredients have also been implemented or proposed in other jurisdictions, including India. Such restrictions could require reformulations of certain of our products. However, we may not be able to satisfactorily reformulate our products in all jurisdictions that adopt similar legislation.

Limitations on Container Size. We package our products in a variety of different package types and sizes, including for certain of our Monster Energy® brand energy drinks in aluminum cans larger than 16 fluid ounces. Certain jurisdictions, such as the member states of the Gulf Corporation Council as well as Yemen are considering container size limitations on energy drinks which may require us to change the size of our products sold in certain of these countries.

Container Deposits. Various municipalities, states and foreign countries require that a deposit be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary by jurisdiction. Other deposit, recycling or product stewardship proposals have been introduced in certain U.S. states, counties, municipalities and in certain foreign countries.

Compliance with Environmental Laws

Our facilities in the United States are subject to federal, state and local environmental laws and regulations. Our operations in other countries are subject to similar laws and regulations that may be applicable in such countries. Compliance with these provisions has not had, nor do we expect such compliance to have, any material adverse effect upon our capital expenditures, net income or competitive position.

In California, we are required to collect redemption values from our customers and to remit such redemption values to the State of California Department of Resources Recycling and Recovery based upon the number of cans and bottles of certain carbonated and non-carbonated products sold. In certain other states and countries where our products are sold, we are also required to collect deposits from our customers and to remit such deposits to the respective jurisdictions based upon the number of cans and bottles of certain carbonated and non-carbonated products sold in such states.

Employees

As of December 31, 2015, we employed a total of 2,214 employees of which 1,500 were employed on a full-time basis. Of our 2,214 employees, we employed 555 in administrative and operational capacities and 1,659 persons in sales and marketing capacities.

Available Information

As a public company, we are required to file our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and other information (including any amendments) with the Securities and Exchange Commission (the "SEC"). You may read and copy such material at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also find the Company's SEC filings at the SEC's website, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, at http://www.sec.gov.

Our Internet address is www.monsterbevcorp.com. Information contained on our website is not part of this annual report on Form 10-K. Our SEC filings (including any amendments) will be made available free of charge on www.monsterbevcorp.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 to, or telephoning us, at the following address or telephone number:

Monster Beverage Corporation
1 Monster Way
Corona, CA 92879
(951) 739-6200
(800) 426-7367

ITEM 1A. RISK FACTORS

In addition to the other information in this report, you should carefully consider the following risks. If any of the following risks actually occur, our business, financial condition and/or operating results could be materially adversely affected. The risk factors summarized below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Following the TCCC Transaction, the Company and TCCC have extensive commercial arrangements and, as a result, the Company's future performance is substantially dependent on the success of its relationship with TCCC.

In connection with the TCCC Transaction, the amended distribution coordination agreements entered into with TCCC provided for the transition of third parties' rights to distribute the Company's products in most territories in the U.S. to members of TCCC's distribution network, which consists of owned or controlled bottlers/distributors and independent bottlers/distributors. On February 9, 2015, in accordance with its existing agreements with the applicable third-party distributors, the Company sent notices of termination to certain affected third-party distributors, including the majority of the AB Distributors in the U.S., providing for the termination of their respective distribution agreements, to be effective at various dates beginning in March 2015. The associated distribution rights were transferred to TCCC's distribution network in each applicable territory as of the effective date of the termination of the applicable third party's rights in such territory. In addition, it is expected that TCCC will become our preferred distribution partner globally. As a result, we will be reducing our distributor diversification and will be substantially dependent on TCCC's international distribution platform.

Also in connection with the TCCC Transaction, TCCC made a substantial equity investment in the Company and has agreed, subject to certain exceptions, not to compete in the energy drink category. While we believe that this will incentivize TCCC to take steps to assure that our products receive the appropriate attention in the TCCC distribution system, there can be no assurance of this as TCCC is a much larger company with many strategic priorities. In addition, TCCC does not control all members of its distribution system, many of which are independent companies that make their own business decisions that may not always align with TCCC's interests. Moreover, it is also possible that we may fail to recognize the expected benefits of the new distribution arrangements regardless of TCCC's priorities or the priorities of the members of TCCC's distribution system. In any such case, our operating results could suffer and the value of the Company's common shares could be adversely affected.

Following the TCCC Transaction, the Company no longer competes with TCCC in the non-energy drink category. As a result, we now derive virtually all of our revenues from energy drinks, and competitive pressure in the energy drink category could adversely affect our business and operating results.

Under the terms of the TCCC Transaction, we have agreed, subject to certain exceptions, not to compete with TCCC in the non-energy drink category. As a result, our sole focus is in the energy drink category and our business has become more vulnerable to adverse changes impacting the energy drink category and business, which could adversely impact our business and the trading price of our common stock.

Following the TCCC Transaction, virtually all of our sales are derived from our energy drinks, including in particular our Monster Energy® brand energy drinks. Our Monster Energy® brand energy drinks represented 92.5% of net sales for the year ended December 31, 2015. Any decrease in the sales of our Monster Energy® brand and other energy drinks could significantly adversely affect our future revenues and net income. Historically, we have experienced substantial competition from new entrants in the energy drink category as well as from the energy shot category. Domestically, our energy drinks compete directly with Red Bull, Rockstar, No Fear, Amp, Adrenaline Rush, Venom, Redline, Xenergy, MiO Energy, Rip It, Starbucks Double Shot, Starbucks Double Shot Energy Plus Coffee, Rockstar Roasted, 5-Hour Energy Shots, Stacker 2, VPX Redline Energy Shots and many other brands. In addition, certain large companies such as PepsiCo market and/or distribute products in that market segment, such as Pepsi Max, Mountain Dew, Mountain Dew MDX and Mountain Dew Kickstart.

Internationally, our energy drinks compete with Red Bull, Rockstar, V-Energy, Lucozade, Adrenaline Rush and numerous local and private label brands that usually differ from country to country, such as Hell, Shock, Tiger, Boost, Speed, TNT, Shark, Hot 6, Shark Energy, Battery, Bullit, Flash Up, Black, Non-Stop, Bomba, Semtex, Vive 100, Dark Dog, Speed, Guaraná, Sting, M-150, Lipovitan, Bacchus, Bolt, Mr. Big and a host of other international brands. Our Java Monster® product line competes directly with Starbucks Frappuccino, Starbucks Double Shot, Starbucks Double Shot Energy Plus Coffee and other Starbucks coffee drinks, Rockstar Roasted, Seattle's Best and illy issimo coffee drinks. Our Muscle Monster® product line competes directly with Muscle Milk, Core Power, ABB Pure Pro and Gatorade Recover Protein Shake. Competitive pressures in the energy drink category could impact our revenues and/or we could experience price erosion and/or lower market share, any of which could have a material adverse effect on our business and results of operations.

Following the TCCC Transaction, in certain markets the Company owns multiple potentially competing brands in the energy drink category.

As a result of the TCCC Transaction, in certain markets we have acquired additional brands in the energy drink category. We may encounter difficulties managing different and potentially competing brands in such shared markets, which could adversely impact our business and the trading price of our common stock.

TCCC is a significant shareholder of the Company and may have interests that are different from the Company's other shareholders (including current shareholders of the Company).

Immediately following the consummation of the TCCC Transaction, TCCC owned common shares of the Company representing approximately 16.7% of the total number of the Company's outstanding common shares. TCCC also nominated two directors to the Company's board of directors. The number of directors that TCCC is entitled to nominate is subject to reduction in certain circumstances.

TCCC's ownership could also have an effect on the Company's ability to engage in a change in control transaction. TCCC is obligated for a period of time to vote all of its common shares of the Company in excess of 20% of the outstanding common shares in the same proportion as all common shares not owned by TCCC with respect to a proposal for a change of control. However, if TCCC were to oppose such a change in control transaction, a bidder would be required to secure the support of holders of 62.5% of the Company's common shares not owned by TCCC (assuming that TCCC increased its ownership from approximately 16.7% to 20% of the Company's common shares) to achieve a vote of a majority of the Company's outstanding shares for a change-in-control transaction. In addition, TCCC would have a bidding advantage if the Company's board of directors were to seek to sell the Company in the future because TCCC would not need to pay a control premium on the shares it owns at such time. TCCC and the Company would also be permitted to terminate TCCC's distribution coordination agreements with the Company after a change in control of the Company. In such event, TCCC would receive a termination fee if TCCC terminated the distribution coordination agreements following a change in control of the Company involving certain TCCC competitors, or if the Company terminated following a change in control of the Company involving any third party.

The interests of TCCC may be different from or conflict with the interests of the Company's other shareholders and, as a result, TCCC's influence may result in the delay or prevention of potential actions or transactions, including a potential change of management or control of the Company, even if such action or transaction may be beneficial to the Company's other shareholders. Moreover, TCCC's ownership of a significant amount of the Company's outstanding common shares could result in downward pressure on the trading price of the Company's common shares if TCCC were to sell a large portion of its shares or as a result of the perception that such a sale might occur.

Changes in government regulation, or failure to comply with existing regulations, could adversely affect our business, financial condition and results of operations.

Legislation has been proposed and/or adopted at the U.S. federal, state and/or municipal level and proposed and/or adopted in certain foreign jurisdictions to restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose excise taxes, limit product size, or impose age restrictions for the sale of energy drinks. For a discussion of certain of such legislation, see "Part I, Item 1 – Business – Government Regulation." Furthermore, additional legislation may be introduced in the United States and other countries at the federal, state, local and municipal level in respect of each of the foregoing subject areas. Public health officials and health advocates are increasingly focused on the public health consequences associated with obesity, especially as the disease affects children, and are seeking legislative change to reduce the consumption of sweetened beverages. There also has been an increased focus on caffeine content in beverages. To the extent any such legislation is enacted in one or more jurisdictions where a significant amount of our products are sold individually or in the aggregate, it could result in a reduction in demand for or availability of our energy drinks and adversely affect our business, financial condition and results of operations.

The production, distribution and sale in the United States of many of our products are also currently subject to various federal and state regulations, including, but not limited to: the FD&C Act, including as amended by 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. Outside the United States, the production, distribution and sale of many of our products are also subject to numerous statutes and regulations. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined, or such products may have to be recalled and/or reformulated and/or have the packaging changed, which could adversely affect our business, financial condition and results of operations.

We cannot predict the effect of inquiries from and/or actions by attorneys general and/or other government agencies and/or quasi-government agencies into the advertising, marketing, promotion, ingredients, usage and/or sale of our energy drink products.

We are subject to the risks of investigations and/or enforcement actions by state attorneys general and/or other government and/or quasi-governmental agencies relating to the advertising, marketing, promotion, ingredients, usage and/or sale of our energy drinks. In July 2012, we received a subpoena from a state attorney general in connection with an investigation relating to the advertising, marketing, promotion, ingredients, usage and sale of our Monster Energy® brand energy drinks. We cannot predict the outcome of this inquiry and what, if any, effect it may have on our business, financial condition or results of operations. If an inquiry by a state attorney general or other government or quasi-government agency finds that our products and/or the advertising, marketing, promotion, ingredients, usage and/or sale of such products are not in compliance with applicable laws or regulations, we may become subject to fines, product reformulations, container changes, changes in the usage or sale of our energy drink products and/or changes in our advertising, marketing and promotion practices, each of which could have an adverse effect on our business, financial condition or results of operations.

Litigation regarding our products, and related unfavorable media attention, could expose us to significant liabilities and reduce demand for our products.

We have been named as a defendant in product liability lawsuits which allege that consumption of our products has been responsible for wrongful deaths and/or injuries. We do not believe that our products are responsible for such wrongful deaths and/or injuries, and intend to vigorously defend each such lawsuit. We believe that each of these lawsuits is without merit and would not have a material adverse effect on our financial position or results of operations in the event any damages were awarded.

In October 2012, we received a written request for information from the City Attorney for the City and County of San Francisco (the "City Attorney") concerning our advertising and marketing of our Monster

Energy® brand of energy drinks and specifically concerning the safety of our products for consumption by adolescents. In a subsequent letter, the City Attorney threatened to bring suit against us if we did not agree to take certain steps immediately and, on May 6, 2013, the City Attorney filed a complaint against us for declaratory and injunctive relief, civil penalties and restitution for an alleged violation of California's Unfair Competition Law. We deny that we have violated the Unfair Competition Law or any other law and believe that the City Attorney's claims and demands are preempted and unconstitutional. We intend to vigorously defend against the lawsuit. At this time, no evaluation of the likelihood of an unfavorable outcome or range of potential loss can be expressed.

Several other lawsuits have been filed against us claiming that certain statements made in our advertisements and/or on the labels of our products were false and/or misleading in nature and/or that our products are not safe. Putative class action lawsuits have also recently been filed against certain of our competitors asserting that certain claims in their advertisements amount to false advertising. We do not believe any statements made by us in our promotional materials or set forth on our product labels are false or misleading or that our products are in any way unsafe and intend to vigorously defend these lawsuits.

Any of the foregoing matters or other product-related litigation, the threat thereof, or unfavorable media attention arising from pending or threatened product-related litigation, could consume significant financial and managerial resources, and result in decreased demand for our products, significant monetary awards against us and injury to our reputation.

Criticism of our energy drink products, and/or criticism or a negative perception of energy drinks generally, could adversely affect us.

An unfavorable report on the health effects of caffeine, or criticism or negative publicity regarding the caffeine content and/or any other ingredients in our products or energy drinks generally, could have an adverse effect on our business, financial condition and results of operations. Articles critical of the caffeine content and/or other ingredients in energy drinks and/or articles indicating certain health risks of energy drinks have been published in recent years. We believe the overall growth of the energy drink market in the U.S. may have been negatively impacted by the ongoing negative publicity and comments that continue to appear in the media questioning the safety of energy drinks, and suggesting limitations on their ingredients (including caffeine) and/or the levels thereof and/or imposing minimum age restrictions for consumers. If reports, studies or articles critical of caffeine and/or energy drinks continue to be published or are published in the future, they could adversely affect the demand for our products.

Increased competition could hurt our business.

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

Important factors affecting our ability to compete successfully include the taste and flavor of our products, trade and consumer promotions, rapid and effective development of new, unique cutting edge products, attractive and different packaging, branded product advertising and pricing. Our products compete with all liquid refreshments and in some cases with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers such as TCCC, PepsiCo, Red Bull Gmbh and the DPS Group. We also compete with companies that are smaller or primarily national or local in operations. Our products also compete with private label brands such as those carried by grocery store chains, convenience store chains, and club stores.

There can be no assurance that we will not encounter difficulties in maintaining our current revenues or market share or position due to competition in the beverage industry. If our revenues decline, our business, financial condition and results of operations could be adversely affected.

Uncertainty in the financial markets and other adverse changes in general economic or political conditions in any of the major countries in which we do business could adversely affect our industry, business and results of operations.

Global economic uncertainties affect businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. There can be no assurance that economic improvements will occur, or that they would be sustainable, or that they would enhance conditions in markets relevant to us. In addition, we cannot predict the duration and severity of disruptions in any of our markets, or the impact they may have on our customers or business, as our expansion outside of the United States has increased our exposure to any developments or crisis in European and other international markets. If economic conditions deteriorate, our industry, business and results of operations could be materially and adversely affected.

Changes in consumer preferences may reduce demand for some of our products.

The beverage industry is subject to changing consumer preferences and shifts in consumer preferences may adversely affect us. There is increasing awareness of and concern for the health consequences of obesity. This may reduce demand for our non-diet beverages, which could reduce our revenues and adversely affect our results of operations. Recently, concerns have emerged regarding diet sodas and in particular, aspartame, which is contained in certain of our Strategic Brands energy drinks.

Consumers are seeking greater variety in their beverages. Our future success will depend, in part, upon our continued ability to develop and introduce different and innovative beverages that appeal to consumers. In order to retain and expand our market share, we must continue to develop and introduce different and innovative beverages and be competitive in the areas of taste, quality and health, although there can be no assurance of our ability to do so. There is no assurance that consumers will continue to purchase our products in the future. Product lifecycles for some beverage brands and/or products and/or packages may be limited to a few years before consumers' preferences change. The beverages we currently market are in varying stages of their product lifecycles and there can be no assurance that such beverages will become or remain profitable for us. We may be unable to achieve volume growth through product and packaging initiatives. We may also be unable to penetrate new markets. If our revenues decline, our business, financial condition and results of operations could be adversely affected.

Operations outside the United States expose us to uncertain conditions and other risks in international markets.

Our gross sales to customers outside of the United States were approximately 23% of consolidated gross sales for the years ended December 31, 2015, 2014 and 2013, and our growth strategy includes further expanding our international business. If we are unable to continue to expand distribution of our products outside the United States, our growth rate could be adversely affected. In many international markets, we have limited operating experience and in some areas we have no operating experience. It is costly to establish, develop and maintain international operations and develop and promote our brands in international markets. Our percentage gross profit margins in many international markets are expected to be less than the comparable percentage gross profit margins obtained in the U.S. We face and will continue to face substantial risks associated with having foreign operations, including: economic and/or political instability in our international markets; restrictions on or costs relating to the repatriation of foreign profits to the United States, including possible taxes and/or withholding obligations on any repatriations; and tariffs and/or trade restrictions. These risks could have a significant impact on our ability to sell our products on a competitive basis in international markets and could have a material adverse effect on our business, financial condition and results of operations. Also, our operations outside of the United States are subject to risks relating to appropriate compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, higher product damages, particularly when products are shipped long distances, potentially higher incidence of fraud and/or corruption, credit risk of local customers and distributors and potentially adverse tax consequences.

Global or regional catastrophic events could impact our operations and affect our ability to grow our business.

Because of our increasingly global presence, our business could be affected by unstable political conditions, civil unrest, large-scale terrorist acts, especially those directed against the United States or other major industrialized countries where our products are distributed, the outbreak or escalation of armed hostilities, major natural disasters or widespread outbreaks of infectious diseases. Such events could impact the production and/or distribution of our products. In addition, such events could disrupt global or regional economic activity, which could affect consumer purchasing power, thereby reducing demand for our products. If we are unable to grow our business internationally as a result of these factors, our growth rate could decline.

Fluctuations in foreign currency exchange rates may adversely affect our operating results.

We are exposed to foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar. We may enter into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries' non-functional currency denominated assets and liabilities. We have not used instruments to hedge against all foreign currency risks and are therefore not protected against all foreign currency fluctuations. As a result, our reported earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

We rely on bottlers and other contract packers to manufacture our products. If we are unable to maintain good relationships with our bottlers and contract packers and/or their ability to manufacture our products becomes constrained or unavailable to us, our business could suffer.

We do not directly manufacture our products, but instead outsource such manufacturing to bottlers and other contract packers. In the event of a disruption and/or delay, we may be unable to procure alternative packing facilities at commercially reasonable rates and/or within a reasonably short time period. In addition, there are limited alternative packing facilities in our domestic and international markets with adequate capacity and/or suitable equipment for many of our products, including our Monster Energy® brand energy drinks, our Muscle Monster® product line, our Java Monster® product line and certain of our other products. While we believe a short-term disruption or delay in production would not significantly affect our revenue, a lengthy disruption or delay in the production of any of such products could significantly adversely affect our revenues from such products because alternative co-packing facilities in the United States and abroad with adequate long-term capacity may not be available for such products either at commercially reasonable rates, and/or within a reasonably short time period, if at all.

We rely on bottlers and distributors to distribute our products. If we are unable to maintain good relationships with our existing bottlers and distributors and/or secure such bottlers and distributors, our business could suffer.

Many of our bottlers/distributors are affiliated with and manufacture and/or distribute other soda, carbonated and non-carbonated brands and other beverage products (both alcoholic and non-alcoholic). In many cases, such products compete directly with our products.

Unilateral decisions could be taken by our bottlers/distributors, convenience and gas chains, grocery chains, specialty chain stores, club stores and other customers, to discontinue carrying certain or all of our products that they are carrying at any time, which could cause our business to suffer.

The TCCC North American Bottlers, CCE and Coca-Cola Hellenic are our primary domestic and international distributors of our products. As a result, if we are unable to maintain good relationships with the TCCC North American Bottlers and/or CCE and/or Coca-Cola Hellenic, or if the TCCC North American Bottlers and/or CCE and/or Coca-Cola Hellenic do not effectively focus on marketing, promoting, selling and distributing our products, sales of our products could be adversely affected.

TCCC, through the TCCC Subsidiaries, accounted for approximately 42%, 29% and 29% of our net sales for the years ended December 31, 2015, 2014 and 2013, respectively. A decision by CCR, CCBC, CCE, Wal-Mart, Inc. (including Sam's Club), Coca-Cola Hellenic, or any other large customer to decrease the amount purchased from us or to cease carrying our products could have a material adverse effect on our financial condition and consolidated results of operations.

The marketing efforts of our distributors are important for our success. If our brands prove to be less attractive to our existing bottlers and distributors and/or if we fail to attract additional bottlers and distributors, and/or our bottlers and/or distributors do not market, promote and distribute our products effectively, our business, financial condition and results of operations could be adversely affected.

We rely upon our ongoing relationships with our key flavor suppliers. If we are unable to source our flavors on acceptable terms from our key suppliers, we could suffer disruptions in our business.

Generally, flavor suppliers hold the proprietary rights to their flavors. Consequently, we do not have the list of flavor ingredients or formulae for our flavors and certain of our concentrates readily available to us and we may be unable to obtain comparable flavors or concentrates from alternative suppliers on short notice. If we must replace a flavor supplier, we could experience a temporary disruption in our ability to deliver products to our customers and/or a reduction in demand for our products containing replacement flavors, which could have a material adverse effect on our business and results of operations.

Increases in costs and/or shortages of raw materials and/or ingredients and/or fuel and/or costs of co-packing could harm our business.

The principal raw materials used by us are aluminum cans, sleek aluminum cans, aluminum Cap Cans, aluminum cans with resealable ends, flavors, juice concentrates, sugar, sucralose, milk, cream, protein, dietary ingredients and other packaging materials; the costs and availability of which are subject to fluctuations. In addition, certain of our co-pack arrangements allow such co-packers to increase their charges based on certain of their own cost increases. We are uncertain whether the prices of any of the above or any other raw materials or ingredients, certain of which have recently risen, will continue to rise or may rise in the future. We are unsure whether we will be able to pass any of such increases on to our customers. We generally do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials although we do, from time to time, enter into purchase agreements for a significant portion of our annual anticipated requirements for certain raw materials such as aluminum cans, apple juice, sugar and sucralose.

In addition, some of these raw materials, including certain sizes of cans, are available from a limited number of suppliers.

Our failure to accurately estimate demand for our products could adversely affect our business and financial results.

We may not correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly with regard to 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, aluminum cans, aluminum Cap Cans, sleek aluminum cans, aluminum cans with resealable ends, PET plastic bottles, glass bottles, labels, sucralose, flavors, dietary ingredients, juice concentrates, certain sweeteners, coffee, tea, protein, packaging materials or co-packing arrangements, we might not be able to satisfy demand on a short-term basis. Moreover, industry-wide shortages of certain juice concentrates, dietary ingredients and sweeteners have been and could, from time to time in the future, be experienced. We generally do not use hedging agreements or alternative instruments to manage this risk. Such shortages could interfere with and/or delay production of certain of our products and could have a material adverse effect on our business and financial results.

If we do not maintain sufficient inventory levels and/or if we are unable to deliver our products to our customers in sufficient quantities, and/or if our customers' or retailers' inventory levels are too high, our operating results could be adversely affected.

If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, our inventory levels may be inadequate and our results of operations may be negatively impacted. If we fail to meet our shipping schedules, we could damage our relationships with distributors and/or retailers, increase our distribution costs and/or cause sales opportunities to be delayed or lost. In order to be able to deliver our products on a timely basis, we need to maintain adequate inventory levels of the desired products. If the inventory of our products held by our distributors and/or retailers is too high, they will not place orders for additional products, which could unfavorably impact our future sales and adversely affect our operating results.

The costs of packaging supplies are subject to price increases from time to time and we may be unable to pass all or some of such increased costs on to our customers.

Many of our packaging supply contracts allow our suppliers to alter the costs they charge us for packaging supplies based on changes in the costs of the underlying commodities that are used to produce those packaging supplies, such as aluminum for cans, and pulp and paper for cartons and/or trays. These changes in the prices we pay for our packaging supplies occur at certain predetermined times that vary by product and supplier. In some cases, we are able to fix the prices of certain packaging supplies and/or commodities for a reasonable period. In other cases, we bear the risk of increases in the costs of these packaging supplies, including the underlying costs of the commodities that comprise these packaging supplies. We do not use derivative instruments to manage this risk. If the costs of these packaging supplies increase, we may be unable to pass these costs along to our customers through corresponding adjustments to the prices we charge, which could have a material adverse effect on our results of operations.

Our intellectual property rights are critical to our success, and the loss of such rights could materially adversely affect our business.

We own numerous trademarks that are very important to our business. We also own the copyright in and to a portion of the content on the packaging of our products. We regard our trademarks, copyrights, and similar intellectual property as critical to our success and attempt to protect such intellectual property through registration and enforcement actions. However, there can be no assurance that other third parties will not infringe or misappropriate our trademarks, copyrights and similar proprietary rights. If we lose some or all of our intellectual property rights, our business may be materially adversely affected.

If we are unable to maintain our brand image or product quality, our business may suffer.

Our success depends on our ability to build and maintain the brand image for our existing products, new products and brand extensions. There can be no assurance that our advertising, marketing and promotional programs will have the desired impact on our products' brand image and on consumer preference and demand. Product quality and/or ingredient content issues, efficacy or lack thereof, real or imagined, or allegations of product contamination, even if false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products. Furthermore, our brand image or perceived product quality could be adversely affected by litigation, unfavorable reports in the media, internet or elsewhere, studies in general and regulatory or other governmental inquiries, in each case whether involving our products or those of our competitors, as well as proposed or new legislation affecting our industry.

If we encounter product recalls, our business may suffer and we may incur material losses.

We may be required from time to time to recall products entirely or from specific co-packers, markets or batches if such products become contaminated, damaged, mislabeled or otherwise materially not compliant with

applicable regulatory requirements. Material product recalls could adversely affect our profitability and our brand image. We do not maintain recall insurance.

If we are not able to retain the full-time services of senior management there may be an adverse effect on our operations and/or our operating performance until we find suitable replacements.

Our business is dependent, to a large extent, upon the services of our senior management. We do not maintain key person life insurance on any members of our senior management. The loss of services of either Mr. Sacks, Chairman and Chief Executive Officer, Mr. Schlosberg, President and Chief Financial Officer, or any other key members of our senior management could adversely affect our business until suitable replacements can be found. There may be a limited number of personnel with the requisite skills to serve in these positions and we may be unable to locate or employ such qualified personnel on acceptable terms.

Climate change may negatively affect our business.

There is concern that a gradual increase in global average temperatures could cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. While warmer weather has historically been associated with increased sales of our products, changing weather patterns could result in decreased agricultural productivity in certain regions, which may limit availability and/or increase the cost of certain key ingredients, juice concentrates and dietary ingredients used in our products. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain including, without limitation, the availability of, and/or result in higher prices for juice concentrates, natural flavors and dietary ingredients or impact demand for our products. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs, and may require us to make additional investments in facilities and equipment. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations. Sales of our products may also be influenced to some extent by weather conditions in the markets in which we operate. Weather conditions may influence consumer demand for certain of our beverages, which could have an adverse effect on our results of operations.

Potential changes in accounting practices and/or taxation may adversely affect our financial results.

We cannot predict the impact that future changes in accounting standards or practices may have on our financial results. New accounting standards could be issued that change the way we record revenues, expenses, assets and liabilities. These changes in accounting standards could adversely affect our reported earnings. Increases in direct and indirect income tax rates could affect after-tax income. Equally, increases in indirect taxes (including environmental taxes pertaining to the disposal of beverage containers and/or indirect taxes on beverages generally or energy drinks in particular) could affect our products' affordability and reduce our sales.

Volatility of stock price may restrict sale opportunities.

Our stock price is affected by a number of factors, including stockholder expectations, financial results, the introduction of new products by us and our competitors, general economic and market conditions, estimates and projections by the investment community and public comments by other parties as well as many other factors including litigation, many of which are beyond our control. We do not provide guidance on our future performance, including, but not limited to, our revenues, margins, product mix, operating expenses or net income. We may be unable to achieve analysts' net revenue and/or earnings forecasts, which are based on their own projected revenues, sales volumes and sales mix of many product types and/or new products, certain of which are more profitable than others, as well as their own estimates of gross margin and operating expenses. There can be no assurance that we will achieve any projected levels or mixes of product sales and/or revenues and/or gross margins and/or operating profits and/or net income. As a result, our stock price is subject to significant volatility and stockholders may not be able to sell our stock at attractive prices. In addition, periods of volatility in the

market price of our stock could result in the initiation of securities class action litigation against us. During the fiscal year ended December 31, 2015, our stock price high was $160.50 and our stock price low was $106.77.

Provisions in our organizational documents and control by insiders may prevent changes in control even if such changes would be beneficial to other stockholders.

Our organizational documents may limit changes in control. Furthermore, as of February 4, 2016, Mr. Sacks and Mr. Schlosberg together may be deemed to beneficially own and/or exercise voting control over approximately 10% of our outstanding common stock. Immediately following the consummation of the TCCC Transaction, TCCC owned approximately 16.7% of our common stock. Consequently, Mr. Sacks, Mr. Schlosberg and TCCC could exercise significant control over matters submitted to a vote of our stockholders, including electing directors, amending organizational documents and disapproving extraordinary transactions such as a takeover attempt, even though such actions may be favorable to the other common stockholders.

Our cash flow may not be sufficient to fund our long term goals.

Although we currently have sufficient cash to support our planned operating activities in the current year, we may be unable to generate sufficient cash flow to support our capital expenditure plans and general operating activities in the future. In addition, the terms and/or availability of our credit facility and/or the activities of our debtors and/or creditors could affect the financing of our future growth.

Our investments in marketable securities are subject to risks which may cause losses and affect the liquidity of these investments.

At December 31, 2015, we had $2,175.4 million in cash and cash equivalents, $744.6 million in short-term investments and $15.4 million of long-term investments. We have historically invested these amounts in U.S. Treasury bills, certificates of deposit, commercial paper, government agencies and municipal securities (which may have an auction reset feature), variable rate demand notes and money market funds meeting certain criteria. Certain of these investments are subject to general credit, liquidity, market and interest rate risks. These risks associated with our investment portfolio may have an adverse effect on our future results of operations, liquidity and financial condition.

We may be required to record a significant charge to earnings if our goodwill or intangible assets become impaired.

Under GAAP, we are required to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include a decline in stock price and market capitalization, and slower growth rates in our industry.

We may be required to record a significant charge to earnings in our financial statements during the period in which we determine that our intangible assets have been impaired. Any such charge would adversely impact our results of operations. As of December 31, 2015, our goodwill totaled approximately $1,279.7 million and our intangible assets totaled approximately $428.0 million.

If we fail to maintain effective disclosure controls and procedures and internal control over financial reporting on a consolidated basis, our stock price and investor confidence in our Company could be materially and adversely affected.

We are required to maintain both disclosure controls and procedures and internal control over financial reporting that are effective for the purposes described in "Part II, Item 9A – Controls and Procedures." If we fail to do so, our business, results of operations, financial condition or the value of our stock could be materially harmed.

Litigation, legal proceedings, government and regulatory inquiries and/or proceedings could expose us to significant liabilities and thus negatively affect our financial results.

We are a party, from time to time, to various litigation claims and legal proceedings, government and regulatory inquiries and/or proceedings, including, but not limited to, intellectual property, fraud, unfair business practices, false advertising, product liability, breach of contract claims, securities actions and shareholder derivative actions. Material legal proceedings are described more fully in "Part I, Item 3 – Legal Proceedings" and in "Part II, Item 8, Note 11" to our consolidated financial statements contained in this Form 10-K.

Defending these proceedings can result in significant ongoing expenditures and the diversion of our management's time and attention from the operation of our business, which could have a negative effect on our business operations. Our failure to successfully defend or settle any litigation or legal proceedings could result in liabilities that, to the extent not covered by our insurance, could have a material adverse effect on our financial condition, revenue and profitability, and could cause the market value of our common stock to decline.

We must continually maintain, protect and/or upgrade our information technology systems.

Information technology helps us operate efficiently, interface with customers, maintain financial accuracy and efficiency, and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breaches, including cybersecurity attacks. Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, an inability to process customer orders and/or lost customer orders, unauthorized release of confidential or otherwise protected information and corruption of data. We believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from these information technology-related disruptions. However, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to operational interruption, damage to our brand image and private data exposure. Moreover, if our data management systems, including our SAP enterprise resource planning system, do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, cybersecurity attack, or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we report our internal and external operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our owned corporate headquarters are located at 1 Monster Way, Corona, California 92879, and consists of an approximately 141,000 square-foot, free standing, six-story building. As a result of our sustainability efforts, we are seeking ENERGY STAR certification for our corporate headquarters shortly.

During February 2016, we entered into an agreement to acquire approximately 49 acres of land, located in Rialto, CA, for a purchase price of approximately $39 million. The purchase is subject to various conditions precedent that must be satisfied prior to the closing. If we ultimately acquire the land, we intend to build an approximately 1,000,000 square-foot building, which we hope to have LEED certified, to replace our current leased warehouse and distribution space in Corona, CA.

In addition, we lease many smaller office and/or warehouse spaces, both domestically and in certain international locations.

ITEM 3. LEGAL PROCEEDINGS

The Company has been named a defendant in various personal injury lawsuits, claiming that the death or other serious injury of the plaintiffs was caused by consumption of Monster Energy® brand energy drinks. The plaintiffs in these lawsuits allege strict product liability, negligence, fraudulent concealment, breach of implied warranties and wrongful death. The Company believes that each complaint is without merit and plans a vigorous defense. The Company also believes that any damages, if awarded, would not have a material adverse effect on the Company's financial position or results of operations.

State Attorney General Inquiry – In July 2012, the Company received a subpoena from the Attorney General for the State of New York in connection with its investigation concerning the Company's advertising, marketing, promotion, ingredients, usage and sale of its Monster Energy® brand energy drinks. Production of documents pursuant to that subpoena was completed in approximately May 2014.

On August 6, 2014, the Attorney General for the State of New York issued a second subpoena seeking additional documents and the deposition of a Company employee. On September 8, 2014, the Company moved to quash the second subpoena in the Supreme Court, New York County. The motion was fully briefed and was argued on March 17, 2015. No decision has been rendered. It is unknown what, if any, action the state attorney general may take against the Company, the relief which may be sought in the event of any such proceeding or whether such proceeding could have a material adverse effect on the Company's business, financial condition or results of operations.

San Francisco City Attorney Litigation – On October 31, 2012, the Company received a written request for information from the City Attorney for the City and County of San Francisco concerning the Company's advertising and marketing of its Monster Energy® brand energy drinks and specifically concerning the safety of its products for consumption by adolescents. In a letter dated March 29, 2013, the San Francisco City Attorney threatened to bring suit against the Company if it did not agree to take the following five steps immediately: (i) "Reformulate its products to lower the caffeine content to safe levels" - (ii) "Provide adequate warning labels"; (iii) "Cease promoting over-consumption in marketing"; (iv) "Cease use of alcohol and drug references in marketing"; and (v) "Cease targeting minors."

(i) The Company Action – On April 29, 2013, the Company and its wholly owned subsidiary, Monster Energy Company, filed a complaint for declaratory and injunctive relief against the San Francisco City Attorney (the "Company Action") in United States District Court for the Central District of California (the "Central District Court"), styled *Monster Beverage Corp., et al. v. Dennis Herrera*. The Company sought a declaration from the Central District Court that the San Francisco City Attorney's investigation and demands are impermissible and preempted, subject to the doctrine of primary jurisdiction, are unconstitutional in that they violate the First and Fourteenth Amendments' prohibitions against compelled speech, content-based speech and commercial speech, are impermissibly void-for-vagueness, and/or violate the Commerce Clause. On June 3, 2013, the City Attorney filed a motion to dismiss the Company Action, arguing in part that the complaint should be dismissed in light of the San Francisco Action (described below) filed on May 6, 2013. On August 22, 2013, the Central District Court granted in part and denied in part the City Attorney's motion. On October 17, 2013, the City Attorney filed a renewed motion to dismiss the Company Action and on December 16, 2013, the Central District Court granted the City Attorney's renewed motion, dismissing the Company Action. The Company filed a Notice of Appeal to the Ninth Circuit on December 18, 2013. The appeal is fully briefed and is set for argument on April 7, 2016.

(ii) The San Francisco Action – On May 6, 2013, the San Francisco City Attorney filed a complaint for declaratory and injunctive relief, civil penalties and restitution for alleged violation of California's Unfair Competition Law, Business & Professions Code sections 17200, *et seq., styled People Of The State Of California ex rel. Dennis Herrera, San Francisco City Attorney v. Monster Beverage Corporation*, in San Francisco Superior

Court (the "San Francisco Action"). The City Attorney alleges that the Company (1) mislabeled its products as a dietary supplement, in violation of California's Sherman Food, Drug and Cosmetic Law, California Health & Safety Code sections 109875 et. seq.; (2) is selling an "adulterated" product because caffeine is not generally recognized as safe due to the alleged lack of scientific consensus concerning the safety of the levels of caffeine in the Company's products; and (3) is engaged in unfair and misleading business practices because its marketing (a) does not disclose the health risks that energy drinks pose for children and teens; (b) fails to warn against and promotes unsafe consumption; (c) implicitly promotes mixing of energy drinks with alcohol or drugs; and (d) is deceptive because it includes unsubstantiated claims about the purported special benefits of its "killer" ingredients and "energy blend." The City Attorney sought a declaration that the Company has engaged in unfair and unlawful business acts and practices in violation of the Unfair Competition Law; an injunction from performing or proposing to perform any acts in violation of the Unfair Competition Law; restitution; and civil penalties.

After a motion to strike filed by the Company was granted in part, on March 20, 2014, the City Attorney filed an amended complaint, adding allegations supporting the theory for relief as to which the Court had granted the motion to strike. On April 18, 2014, the Company filed a renewed motion to strike, as well as a motion asking the Court to bifurcate and/or stay claims relating to the safety of Monster Energy® brand energy drinks, pending resolution of the ongoing FDA investigation of the safety and labeling of food products to which caffeine is added. On May 22, 2014, the Court denied the Company's motion to strike and motion to bifurcate and/or stay claims relating to safety.

On September 5, 2014, the City Attorney filed a second amended complaint, adding Monster Energy Company as a defendant. The Company and Monster Energy Company filed answers to the second amended complaint on October 4, 2014 and November 10, 2014, respectively. Discovery is ongoing.

The Court has set the case for a bench trial for April 10-17, 2017.

The Company denies that it has violated the Unfair Competition Law or any other law and believes that the City Attorney's claims and demands are preempted and unconstitutional, as alleged in the action the Company filed in the Central District Court. The Company intends to vigorously defend against this lawsuit. At this time, no evaluation of the likelihood of an unfavorable outcome or range of potential loss can be expressed.

The actions or investigations described above have not progressed to a point where a reasonably possible range of losses associated with their ultimate outcome can be estimated at this time. If the final resolution of any such litigation or proceedings is unfavorable, the Company's financial condition, operating results and cash flows could be materially affected.

In addition to the above matters, the Company has been named as a defendant in various false advertising putative class actions and in a private attorney general action. In these actions, plaintiffs allege that defendants misleadingly labeled and advertised Monster Energy® brand products that allegedly were ineffective for the advertised benefits (including, but not limited to, an allegation that the products do not hydrate as advertised because they contain caffeine). The plaintiffs further allege that the Monster Energy® brand products at issue are unsafe because they contain one or more ingredients that allegedly could result in illness, injury or death. In connection with these product safety allegations, the plaintiffs claim that the product labels did not provide adequate warnings and/or that the Company did not include sufficiently specific statements with respect to contra-indications and/or adverse reactions associated with the consumption of its energy drink products (including, but not limited to, claims that certain ingredients, when consumed individually or in combination with other ingredients, could result in high blood pressure, palpitations, liver damage or other negative health effects and/or that the products themselves are unsafe). Based on these allegations, the plaintiffs assert claims for violation of state consumer protection statutes, including unfair competition and false advertising statutes, and for breach of warranty and unjust enrichment. In their prayers for relief, the plaintiffs seek, inter alia, compensatory and punitive damages, restitution, attorneys' fees, and, in some cases, injunctive relief. The Company regards these cases and allegations as having no merit. Furthermore, the Company is subject to litigation from time to time in the normal course of business, including intellectual property litigation and claims from terminated distributors.

Although it is not possible to predict the ultimate outcome of such litigation, based on the facts known to the Company, management believes that such litigation in the aggregate will likely not have a material adverse effect on the Company's financial position or results of operations.

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued, if any, or in the amount of any related insurance reimbursements recorded. As of December 31, 2015, the Company's consolidated balance sheet includes accrued loss contingencies of approximately $2.8 million.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The Company's common stock began trading in the over-the-counter market on November 8, 1990 and was subsequently quoted on the Nasdaq Capital Market under the symbol "HANS". On July 5, 2007, the Company's common stock began trading on the Nasdaq Global Select Market under the same symbol, "HANS". On January 5, 2012, stockholders of the Company approved the Company's name change from Hansen Natural Corporation to Monster Beverage Corporation. In addition, on January 9, 2012, the Company's common stock began trading under the symbol "MNST". As of February 4, 2016, there were 202,919,837 shares of the Company's common stock outstanding held by approximately 236 holders of record. The holders of record do not include those stockholders whose shares are held of record by banks, brokers and other financial institutions.

Stock Price and Dividend Information

The following table sets forth high and low per share sales price of our common stock for the periods indicated:

Year Ended December 31, 2015	High	Low
First Quarter	$ 143.90	$ 106.77
Second Quarter	$ 144.69	$ 124.18
Third Quarter	$ 155.83	$ 115.62
Fourth Quarter	$ 160.50	$ 127.34

Year Ended December 31, 2014	High	Low
First Quarter	$ 75.63	$ 66.31
Second Quarter	$ 73.38	$ 63.00
Third Quarter	$ 94.93	$ 63.82
Fourth Quarter	$ 113.50	$ 89.56

The per share sales prices of our 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 cash dividends to our stockholders since our inception and do not anticipate paying cash dividends in the foreseeable future.

On June 12, 2015, as part of the TCCC Transaction, the Company cancelled 41.5 million shares of treasury stock owned by the Company. The cancelled stock had a carrying value of approximately $1,482.6 million. The Company's accounting policy upon the formal retirement of treasury stock is to deduct its par value from common stock and to reflect any excess of cost over par as a deduction from retained earnings.

On April 7, 2013, the Company's Board of Directors authorized a new share repurchase program for the repurchase of up to $200.0 million of the Company's outstanding common stock (the "April 2013 Repurchase Plan"). During the year ended December 31, 2015, the Company purchased 1.1 million shares of common stock at an average purchase price of $134.71 per share, for a total amount of $145.7 million (excluding broker commissions), which exhausted the availability under the April 2013 Repurchase Plan.

On September 11, 2015, the Company's Board of Directors authorized a new share repurchase program for the repurchase of up to $500.0 million of the Company's outstanding common stock (the "September 2015 Repurchase Plan"). During the year ended December 31, 2015, the Company purchased 1.9 million shares of common stock at an average purchase price of $134.26 per share, for a total amount of $250.0 million (excluding broker commissions), under the September 2015 Repurchase Plan.

During the year ended December 31, 2015, 3.3 million shares were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of $412.3 million. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs, including the September 2015 Repurchase Plan or the April 2013 Repurchase Plan. Shares purchased subsequent to the TCCC Transaction are included in common stock in treasury in the accompanying condensed consolidated balance sheet at December 31, 2015.

The following tabular summary reflects the Company's repurchase activity during the quarter ended December 31, 2015.

Period	Total Number of Shares Purchased	Average Price per Share[1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands)[2]
Oct 1 - Oct 31	61,100	$ 134.12	61,100	$ 250,007

[1]Excluding broker commissions paid.

[2]Net of broker commissions paid.

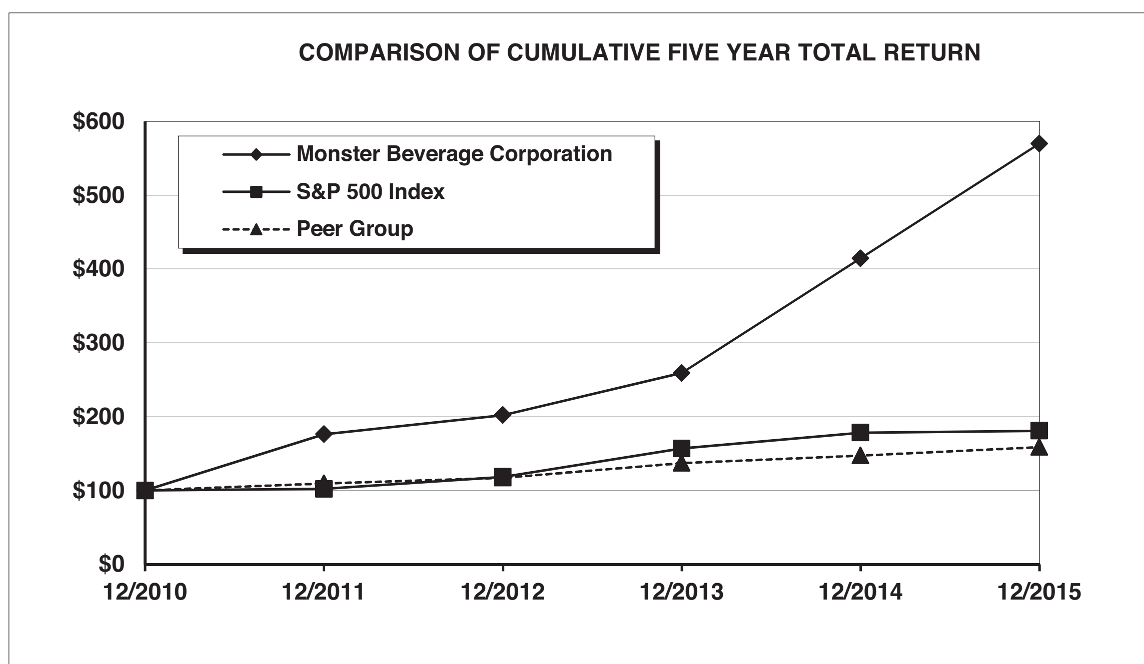
Equity Compensation Plan Information

The following table sets forth information as of December 31, 2015 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 stockholders	6,768,423	$50.87	10,321,921
Equity compensation plans not approved by stockholders	-	-	-
Total	6,768,423	$50.87	10,321,921

Performance Graph

The following graph shows a five-year comparison of cumulative total returns:[1]



[1]Annual return assumes reinvestment of dividends. Cumulative total return assumes an initial investment of $100 on December 31, 2010. The Company's current self-selected peer group is comprised of TCCC, DPS Group, National Beverage Corporation, Jones Soda Company and Cott Corporation.

ITEM 6. SELECTED FINANCIAL DATA

The consolidated statements of operations data set forth below with respect to each of the fiscal years ended December 31, 2013 through 2015 and the balance sheet data as of December 31, 2015 and 2014, are derived from our audited consolidated financial statements included herein, and should be read in conjunction

with those financial statements and notes thereto, and with Management's Discussion and Analysis of Financial Condition and Results of Operations included as Part II, Item 7 of this Annual Report on Form 10-K. The consolidated statements of operations data for the fiscal years ended December 31, 2012 and 2011 and the balance sheet data as of December 31, 2013, 2012 and 2011 are derived from the Company's audited consolidated financial statements not included herein.

(in thousands, except per share information)	2015	2014	2013	2012	2011
Net sales[1]	$ 2,722,564	$ 2,464,867	$ 2,246,428	$ 2,060,702	$ 1,703,230
Gross profit[1]	$ 1,632,301	$ 1,339,810	$ 1,172,931	$ 1,065,656	$ 894,309
Gross profit as a percentage to net sales	60.0%	54.4%	52.2%	51.7%	52.5%
Operating income[2]	$ 893,653	$ 747,505	$ 572,916	$ 550,623	$ 456,423
Net income	$ 546,733	$ 483,185	$ 338,661	$ 340,020	$ 286,219
Net income per common share:					
Basic	$ 2.90	$ 2.89	$ 2.03	$ 1.96	$ 1.62
Diluted	$ 2.84	$ 2.77	$ 1.95	$ 1.86	$ 1.53
Cash, cash equivalents and investments	$ 2,175,417	$ 1,194,397	$ 623,388	$ 340,949	$ 793,807
Total assets	$ 5,675,189	$ 1,938,875	$ 1,420,509	$ 1,043,325	$ 1,362,399
Stockholders' equity	$ 4,809,410	$ 1,515,150	$ 992,279	$ 644,397	$ 979,158

[1]Includes $62.8 million, $15.0 million, $14.8 million, $13.2 million and $13.0 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, related to the recognition of deferred revenue. Included in the $62.8 million recognition of deferred revenue for the year ended December 31, 2015, is $39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

[2]Includes $224.0 million, ($0.2) million, $10.8 million, $1.5 million and $1.1 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, related to expenditures attributable to the costs associated with terminating existing distributors.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided as a supplement to – and should be read in conjunction with – our financial statements and the accompanying notes ("Notes") included in Part II, Item 8 of 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. See "Forward-Looking Statements" and "Part I. Item 1A – Risk Factors."

This overview provides our perspective on the individual sections of MD&A. MD&A includes the following sections:

- *Our Business* – a general description of our business; the value drivers of our business; and opportunities and risks facing our Company;

- *Results of Operations* – an analysis of our consolidated results of operations for the three years presented in our financial statements;
- *Sales* – details of our sales measured on a quarterly basis in both dollars and cases;
- *Inflation* – information about the impact that inflation may or may not have on our results;
- *Liquidity and Capital Resources* – an analysis of our cash flows, sources and uses of cash and contractual obligations;
- *Accounting Policies and Pronouncements* – a discussion of accounting policies that require critical judgments and estimates including newly issued accounting pronouncements;
- *Forward-Looking Statements* – cautionary information about forward-looking statements and a description of certain risks and uncertainties that could cause our actual results to differ materially from the Company's historical results or our current expectations or projections; and
- *Market Risks* – information about market risks and risk management. (See "Forward-Looking Statements" and "Part II, Item 7A – Qualitative and Quantitative Disclosures About Market Risks").

Our Business

Acquisitions and Divestitures

On June 12, 2015, Old Monster, now a wholly owned subsidiary of the Company, completed the transactions contemplated by the definitive agreements entered into with TCCC on August 14, 2014, which provided for the TCCC Transaction.

Also, on June 12, 2015, Old Monster effected the Holding Company Reorganization, and the Company changed its name from New Laser Corporation to "Monster Beverage Corporation."

In the Holding Company Reorganization, each Old Monster common share, par value $0.005 per share, outstanding immediately prior to consummation of the Holding Company Reorganization (other than any Old Monster common shares owned by Old Monster immediately prior to the closing of the TCCC Transaction, which were cancelled) was converted automatically into the right to receive one Company common share, par value $0.005 per share. In addition, upon consummation of the Holding Company Reorganization:

- each unexercised and unexpired stock option then outstanding under any equity compensation plan of Old Monster, whether or not then exercisable, ceased to represent a right to acquire Old Monster common shares and was converted automatically into a right to acquire the same number of Company common shares, on the same terms and conditions as were applicable under such Old Monster stock option; and

- each share of restricted stock and each restricted stock unit of Old Monster granted under all outstanding equity compensation plans ceased to represent or relate to Old Monster common shares and was converted automatically to represent or relate to Company common shares, on the same terms and conditions as were applicable to such Old Monster restricted stock and restricted stock units (including the vesting or other lapse restrictions (without acceleration thereof by virtue of the Holding Company Reorganization and the TCCC Transaction)).

Promptly following the effective time of the Holding Company Reorganization, Old Monster assigned to the Company all obligations of Old Monster under Old Monster's equity compensation plans and each stock option agreement, restricted stock award agreement, restricted stock unit award agreement and any similar agreement entered into pursuant to such equity compensation plans. In addition, all obligations of Old Monster under any employment agreements and indemnification agreements were assigned to the Company.

Immediately after the effective time of the Holding Company Reorganization, (1) the Company issued to TCCC the New Issuance and TCCC appointed two individuals to the Company's Board of Directors, (2) TCCC transferred all of its rights in and to KO Energy to the Company, (3) Old Monster transferred all of its rights in

and to Monster Non-Energy to TCCC, (4) the Company and TCCC amended the distribution coordination agreements previously existing between them to govern the transition of third parties' rights to distribute the Company's energy products in most territories in the U.S. to members of TCCC's distribution network, which consists of owned or controlled bottlers/distributors and independent bottlers/distributors, and (5) TCCC and one of its subsidiaries made an aggregate net cash payment to the Company of $2.15 billion, $125.0 million of which is currently held in escrow as described below pursuant to the Escrow Agreement, subject to release upon the achievement of milestones relating to the transition of distribution rights to TCCC's distribution network.

On the one-year anniversary of the closing of the TCCC Transaction, the then-remaining escrow amount, less an amount sufficient to cover any unresolved claims, will be released to TCCC. Any amount described above that becomes payable following the one-year anniversary will be paid directly from TCCC to the Company. As of February 29, 2016, distribution rights in the U.S. representing approximately 89% of the target case sales have been transitioned to TCCC's distribution network. As a result, $125 million is currently held in escrow. The Company expects to transition sufficient additional distribution rights to result in the release of all remaining amounts held in escrow. Therefore, the Company believes that achievement of the milestones is probable.

In accordance with ASC No. 420 "Exit or Disposal Cost Obligations", the Company expenses distributor termination costs in the period in which the written notification of termination occurs. As a result, the Company incurred termination amounts of $224.0 million, ($0.2) million and $10.8 million for the year ended December 31, 2015, 2014 and 2013, respectively, related to distribution rights transferred. Such termination amounts have been expensed in full and are included in operating expenses for the years ended December 31, 2015, 2014 and 2013. In addition, the Company recognized as income $39.8 million in the first quarter of 2015, related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

The following table summarizes the selected items discussed above for the years ended December 31, 2015, 2014 and 2013:

Income Statement Items (in thousands):	2015	2014	2013
Included in Net Sales:			
Accelerated recognition of deferred revenue	$ 39,761	$ -	$ -
Included in Operating Expenses:			
Distributor termination costs	224,000	(157)	10,754
TCCC Transaction expenses	15,496	4,824	-
Gain on sale of Monster Non-Energy	161,470	-	-
Net Impact on Operating Income	$ (38,265)	$ (4,667)	$ (10,754)

Overview

We develop, market sell and distribute energy drink beverages and/or concentrates for energy drink beverages, primarily under the following brand names:

- Monster Energy®
- Monster Rehab®
- Monster Energy Extra Strength Nitrous Technology®
- Java Monster®
- Muscle Monster®
- Mega Monster Energy®
- Nalu®
- NOS®
- Full Throttle®
- Burn®
- Mother®
- Ultra®

- Punch Monster®
- Juice Monster®
- M3®
- Übermonster®
- BU®
- Play® and Power Play®
- Gladiator®
- Relentless®
- Samurai®
- BPM®

Our Monster Energy® brand energy drinks, which represented 92.5%, 93.9% and 93.2% of our net sales for the years ended December 31, 2015, 2014 and 2013, respectively, primarily include the following:

- Monster Energy®
- Lo-Carb Monster Energy®
- Monster Assault®
- Juice Monster® Khaos®
- Juice Monster® Ripper®
- Juice Monster® Pipeline Punch™
- Monster Energy® Absolutely Zero
- Monster Energy® Import
- Punch Monster® Baller's Blend® (formerly Dub Edition)
- Punch Monster® Mad Dog (formerly Dub Edition)
- Monster Rehab® Tea + Lemonade + Energy
- Monster Rehab® Raspberry Tea + Energy (formerly Rojo)
- Monster Rehab® Green Tea + Energy
- Monster Rehab® Tea + Orangeade + Energy
- Monster Rehab® Tea + Pink Lemonade + Energy
- Monster Rehab® Peach Tea + Energy
- Muscle Monster® Vanilla
- Muscle Monster® Chocolate
- Muscle Monster® Strawberry
- Muscle Monster® Banana
- Monster Ghost™ M-100™
- Monster Phantom™ M-100™
- Java Monster® Kona Blend
- Java Monster® Loca Moca®
- Java Monster® Mean Bean®
- Java Monster® Vanilla Light
- Java Monster® Irish Blend®
- Java Monster® Cappuccino
- Mega Monster Energy®
- Monster Energy Extra Strength Nitrous Technology® Super Dry™
- Monster Energy Extra Strength Nitrous Technology® Anti-Gravity®
- M3® Monster Energy® Super Concentrate
- Monster Energy® Zero Ultra
- Monster Energy® Ultra Blue™
- Monster Energy® Ultra Red™
- Monster Energy® Ultra Black™
- Monster Energy® Ultra Sunrise®
- Monster Energy® Ultra Citron™
- Monster Energy® Unleaded®
- Übermonster® Energy Brew™
- Monster Energy® Valentino Rossi

We have three operating and reportable segments, (i) Finished Products, (ii) Concentrate and (iii) Other, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand).

During 2015, we continued to expand our existing energy drink portfolio and further develop our distribution markets. During 2015, we introduced the following Monster Energy® brand energy drink products, in addition to the Strategic Brands acquired as part of the TCCC Transaction:

- Monster Energy® Ultra Citron™ , a carbonated energy drink which contains zero calories and zero sugar (January 2015).
- Monster Rehab® Peach Tea + Energy (January 2015).
- Juice Monster® Pipeline Punch™ (July 2015).
- Muscle Monster® Banana (July 2015).
- Monster Ghost™ M-100™ , an exclusive limited time listing with a convenience customer (July 2015).
- Monster Phantom™ M-100™ , an exclusive limited time listing with certain convenience customers (July 2015).
- Monster Rehab® Raspberry Tea + Energy (August 2015).

In the normal course of business we discontinue certain products and/or product lines. Those products or product lines discontinued during the year ended December 31, 2015 (other than those disposed of as part of the TCCC Transaction), either individually or in aggregate, did not have a material adverse impact on our financial position, results of operations or liquidity.

Our net sales of $2,722.6 million for the year ended December 31, 2015 represented record annual net sales. The vast majority of our net sales are derived from our Monster Energy® brand energy drinks. Net sales of our Monster Energy® brand energy drinks were $2,518.5 million for the year ended December 31, 2015, an increase of $204.0 million, or 79.2% of our overall increase in net sales for the year ended December 31, 2015. Any decrease in net sales of our Monster Energy® brand energy drinks could have a significant adverse effect on our future revenues and net income. Competitive pressure in the energy drink category could also adversely affect our operating results. Net sales of our Strategic Brands acquired as part of the TCCC Transaction were $143.3 million for the year ended December 31, 2015.

Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Finished Products segment of approximately $74.1 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Concentrate segment of approximately $10.2 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

Our sales and marketing strategy for all our beverages is to focus our efforts on developing brand awareness through image enhancing programs and product sampling. We use our branded vehicles and other promotional vehicles at events where we offer samples of our products to consumers. We utilize "push-pull" methods to enhance shelf and display space exposure in sales outlets (including racks, coolers and barrel coolers), advertising, in-store promotions and in-store placement of point-of-sale materials to encourage demand from consumers for our products. We also support our brands with prize promotions, price promotions, competitions, endorsements from selected public and sports figures, personality endorsements (including from television and other well-known sports personalities), sampling and sponsorship of selected causes, events, athletes and teams. In-store posters, outdoor posters, print, radio and television advertising (directly and through our sponsorships and endorsements) and coupons may also be used to promote our brands. We are currently evaluating our future strategy for the positioning of our Strategic Brands.

We believe that one of the keys to success in the beverage industry is differentiation, making our brands and products visually 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 are redesigned from time to time to maximize their visibility and identification, wherever they may be placed in stores, which we will continue to reevaluate from time to time.

All of our beverage products are manufactured by various third party bottlers and co-packers situated throughout the United States and abroad, under separate arrangements with each party.

Our growth strategy includes expanding our international business. Gross sales to customers outside the United States amounted to $713.2 million, $657.9 million and $580.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Such sales were approximately 23% of gross sales for the years ended December 31, 2015, 2014 and 2013. Changes in foreign currency exchange rates had an unfavorable impact on gross sales to customers outside the United States of approximately 14%, 1% and 2% for the years ended December 31, 2015, 2014, and 2013, respectively, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

Our customers are primarily full service beverage bottlers/distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food

service customers and the military. Gross sales to our various customer types for the years ended December 31, 2015, 2014 and 2013 are reflected below. Such information includes sales made by us directly to the customer types concerned, which include our full service beverage bottlers/distributors in the United States. Such full service beverage bottlers/distributors in turn sell certain of our products to some of the same customer types listed below. We limit our description of our customer types to include only our sales to our full service bottlers/distributors without reference to such distributors' sales to their own customers.

	2015	2014	2013
U.S. full service bottlers/distributors	65%	62%	63%
Club stores, drug chains & mass merchandisers	9%	9%	9%
International full service bottlers/distributors	23%	23%	23%
Retail grocery, specialty chains and wholesalers	2%	4%	3%
Other	1%	2%	2%

Our customers include the TCCC North American Bottlers, CCE, Coca-Cola Hellenic, Swire Coca-Cola, USA and certain other Coca-Cola independent bottlers, Asahi, Kalil Bottling Group, Wal-Mart, Inc. (including Sam's Club), Costco and AB Distributors. In February 2015, in accordance with its existing agreements with the applicable AB Distributors, the Company sent notices of termination to the majority of the AB Distributors in the United States for the termination of their respective distribution agreements, to be effective at various dates beginning in March 2015. The associated distribution rights have been transitioned to TCCC's network of owned or controlled bottlers/distributors and independent bottlers/distributors as of the effective date of termination of the AB Distributors' rights in the applicable territories (see Note 9 "Distribution Agreements" in the notes to consolidated financial statements). The TCCC Subsidiaries accounted for approximately 42%, 29% and 29% of our net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Value Drivers of our Business

We believe that the key value drivers of our business include the following:

- *International Growth* – The introduction, development and sustained profitability of our Monster Energy® brand internationally remains a key value driver for our corporate growth. The TCCC Transaction is expected to secure fully aligned access to TCCC's leading global distribution system, which we anticipate will accelerate our international performance. In addition, we anticipate that the TCCC Transaction will provide scale and platform synergies in a range of international geographies where we currently have limited presence, which is expected to increase our energy business in a number of international markets and establish a strong presence in additional countries.

- *Profitable Growth* – We believe "functional" value added brands properly supported by marketing and innovation, targeted to a diverse consumer base, drive profitable growth. We continue to broaden our family of brands. In particular, we have expanded our energy drinks, including through the addition of TCCC's existing energy product lines in connection with the TCCC Transaction, to provide more alternatives to consumers. We are focused on building upon the respective profit margins for both the Finished Products segment and the Concentrate segment, and believe that tailored branding, packaging, pricing and distribution channel strategies help achieve profitable growth. We are implementing these strategies with a view to continuing profitable growth.

- *Cost Management* – The principal focus of cost management will continue to be on reducing input supply and production costs on a per-case basis, including raw material costs and co-packing fees. Another key area of focus is to decrease promotional allowances, selling and general and administrative costs, including sponsorships, sampling, promotional and marketing expenses, as a

percentage of net sales. The reduction of accounts receivable and inventory days on hand also remains a further key area of focus.

- *Efficient Capital Structure* – Our capital structure is intended to optimize our working capital to finance expansion, both domestically and internationally. We believe our strong capital position, our ability to raise funds, if necessary, at a relatively low effective cost of borrowings, provides a competitive advantage. Furthermore, following the TCCC Transaction, we have a substantial amount of cash and cash equivalents, and we expect that a substantial portion of our cash and cash equivalents will be used to return capital to our shareholders pursuant to share repurchases, which may be effected pursuant to open market transactions, a "modified Dutch auction" tender offer, accelerated share repurchase, privately negotiated transactions or otherwise. The timing, terms and amount of any such share repurchase will be determined by the Company's board of directors.

We believe that, subject to increases in the costs of certain raw materials being contained, these value drivers, when properly implemented in the U.S. and internationally, will result in: (1) improving or maintaining our product gross profit margins; (2) providing additional leverage over time through reduced expenses as a percentage of net operating revenues; and (3) optimizing our cost of capital. The ultimate measure of success is and will be reflected in our current and future results of operations.

Gross and net sales, gross profit, operating income, net income and net income per share represent key measurements of the above value drivers. These measurements will continue to be a key management focus in 2016 and beyond (See "Part II, Item 7 – Results of Operations – Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014").

As of December 31, 2015, the Company had working capital of $3,068.4 million compared to $1,297.4 million as of December 31, 2014. The increase in working capital was primarily the result of cash received in the TCCC Transaction. For the year ended December 31, 2015, our net cash provided by operating activities was approximately $208.0 million as compared to $585.6 million for the year ended December 31, 2014. Principal uses of cash flows in 2015 were purchases of investments, share repurchases, purchases of inventory, development of our Monster Energy® brand internationally, acquisition of property and equipment and acquisition of trademarks. These principal uses of cash flows are expected to be and remain our principal recurring use of cash and working capital funds in the future (See "Part II, Item 7 – Liquidity and Capital Resources").

Opportunities, Challenges and Risks

Looking forward, our management has identified certain challenges and risks for the beverage industry and our Company, including our significant commercial relationships with TCCC and TCCC's status as a significant shareholder of the Company, in each case as described above under "Part I, Item 1A – Risk Factors."

In addition, legislation has been proposed and/or adopted at the U.S. state and/or county and/or municipal level and proposed and/or adopted in certain foreign jurisdictions to restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose taxes, limit product sizes or impose age restrictions for the sale of energy drinks. In addition, articles critical of the caffeine content in energy drinks and their perceived benefits and articles indicating certain health risks of energy drinks have been published. The proposal and/or adoption of such legislation and the publication of such articles, or the future proposal and/or adoption of similar legislation or publication of similar articles, may adversely affect our Company. In addition, uncertainty and/or volatility in our domestic and/or our international economic markets could negatively affect both the stability of our industry and our Company. Furthermore, our growth strategy includes expanding our international business which exposes us to risks inherent in conducting international operations, including the risks associated with foreign currency exchange rate fluctuations. Consumer discretionary spending also represents a challenge to the successful marketing and sale of our products. Increases

in consumer and regulatory awareness of the health problems arising from obesity and inactive lifestyles continue to represent a challenge. We recognize that obesity is a complex and serious public health problem. Our commitment to consumers begins with our broad product line and a wide selection of diet, light and low calorie beverages within our energy drink product line. We continuously strive to meet changing consumer needs through beverage innovation, choice and variety. (See “Part I, Item 1A – Risk Factors”).

Our historical success is attributable, in part, to our introduction of different and innovative beverages which have been positively accepted by consumers. Our future success will depend, in part, upon our continued ability to develop and introduce different and innovative beverages that meet consumer preferences, although there can be no assurance of our ability to do so. In order to retain and expand our market share, we must continue to develop and introduce different and innovative beverages and be competitive in the areas of quality, method of distribution, brand image and intellectual property protection. The beverage industry is subject to changing consumer preferences that may adversely affect us if we misjudge such preferences.

In addition, other key challenges and risks that could impact our Company’s future financial results include, but are not limited to:

- the risks associated with the realization of benefits from the TCCC Transaction, including the transition of the distribution of our products to TCCC’s distribution network;
- changes in consumer preferences and demand for our products;
- economic uncertainty in the United States, Europe and other countries in which we operate;
- the risks associated with foreign currency exchange rate fluctuations;
- maintenance of our brand image and product quality;
- increasing concern over various health matters, including obesity, caffeine consumption and energy drinks generally, and changes in regulation and consumer preferences in response to those concerns;
- profitable expansion and growth of our family of brands in the competitive market place (See “Part I, Item 1 – Business – Competition” and “Part I, Item 1 – Business – Sales and Marketing”);
- costs of establishing and promoting our brands internationally;
- restrictions on imports and sources of supply; duties or tariffs; changes in related government regulations; and disruptions in the timely import or export of our products and/or ingredients due to port strikes and related labor issues;
- protection of our existing intellectual property portfolio of trademarks and copyrights and the continuous pursuit to develop and protect new and innovative trademarks and copyrights for our expanding product lines;
- limitations on available quantities of certain package containers such as the 24-ounce cap-can and co-packing availability; and
- the imposition of additional regulation, including regulation restricting the sale of energy drinks, limiting caffeine content in beverages, requiring product labeling and/or warnings, imposing excise taxes and/or sales taxes, and/or limiting product size and/or age restrictions.

See “Part I, Item 1A – Risk Factors” for additional information about risks and uncertainties facing our Company.

We believe that the following opportunities exist for us:

- domestic and international growth potential of our products due to our transition to a leading global distribution network and the scale and platform synergies expected in connection with the TCCC Transaction;
- growth potential of the energy drink category, both domestically and internationally;
- planned and future new product and product line introductions with the objective of increasing sales and/or contributing to higher profitability;
- the introduction of premium and/or new packages designed to generate strong revenue growth;

- redesign, repackaging and repositioning of our Strategic Brands;
- significant package, pricing and channel opportunities to increase profitable growth;
- effective strategic positioning to capitalize on industry growth;
- broadening distribution/expansion opportunities in both domestic and international markets;
- launching our products into new geographic markets such as China; and
- continued focus on reducing our cost base.

Results of Operations

The following table sets forth key statistics for the years ended December 31, 2015, 2014 and 2013, respectively.

(In thousands, except per share amounts)	2015	2014	2013	Percentage Change 15 vs. 14	Percentage Change 14 vs. 13
Net sales[1]	$ 2,722,564	$ 2,464,867	$ 2,246,428	10.5%	9.7%
Cost of sales	1,090,263	1,125,057	1,073,497	(3.1%)	4.8%
Gross profit*[1]	1,632,301	1,339,810	1,172,931	21.8%	14.2%
Gross profit as a percentage of net sales[1]	60.0%	54.4%	52.2%		
Operating expenses[2]	900,118	592,305	600,015	52.0%	(1.3%)
Operating expenses as a percentage of net sales	33.1%	24.0%	26.7%		
Gain on sale of Monster Non-Energy	161,470	-	-		
Operating income[1,2]	893,653	747,505	572,916	19.6%	30.5%
Operating income as a percentage of net sales	32.8%	30.3%	25.5%		
Other expense, net	(2,105)	(1,717)	(9,022)	22.6%	(81.0%)
Income before provision for income taxes[1,2]	891,548	745,788	563,894	19.5%	32.3%
Provision for income taxes	344,815	262,603	225,233	31.3%	16.6%
Income taxes as a percentage of income before taxes	38.7%	35.2%	39.9%		
Net income[1,2]	$ 546,733	$ 483,185	$ 338,661	13.2%	42.7%
Net income as a percentage of net sales	20.1%	19.6%	15.1%		
Net income per common share:					
Basic	$2.90	$2.89	$2.03	0.2%	42.2%
Diluted	$2.84	$2.77	$1.95	2.4%	41.9%
Case sales (in thousands) (in 192-ounce case equivalents)	274,621	238,280	221,348	15.3%	7.6%

[1]Includes $62.8 million, $15.0 million and $14.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to the recognition of deferred revenue. Included in the $62.8 million recognition of deferred revenue for the year ended December 31, 2015, is $39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

[2]Includes $224.0 million, ($0.2) million and $10.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to distributor termination costs.

**Gross profit may not be comparable to that of other entities since some entities include all costs associated with their distribution process in cost of sales, whereas others exclude certain costs and instead include such costs within another line item such as operating expenses. We include out-bound freight and warehouse costs in operating expenses rather than in cost of sales.*

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014.

Net Sales. Net sales were $2,722.6 million for the year ended December 31, 2015, an increase of approximately $257.7 million, or 10.5% higher than net sales of $2,464.9 million for the year ended December 31, 2014. The increase in net sales of our Monster Energy® brand energy drinks represented approximately $204.0 million of the overall increase in net sales. Net sales of our Monster Energy® brand energy drinks increased partially due to increased sales by volume as a result of increased domestic and international consumer demand. Net sales of our Strategic Brands were $143.3 million for the year ended December 31, 2015. Net sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction on June 12, 2015 (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), decreased $89.6 million for the year ended December 31, 2015. Net sales for the year ended December 31, 2015 included $39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors. No other individual product line contributed either a material increase or decrease to net sales for the year ended December 31, 2015.

Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Finished Products segment of approximately $74.1 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Concentrate segment of approximately $10.2 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

Case sales, in 192-ounce case equivalents, were 274.6 million cases for the year ended December 31, 2015, an increase of approximately 36.3 million cases or 15.3% higher than case sales of 238.3 million cases for the year ended December 31, 2014. The overall average net sales per case decreased to $9.91 for the year ended December 31, 2015, which was 4.2% lower than the average net sales per case of $10.34 for the year ended December 31, 2014. The lower average net sales per case was primarily attributable to sales of concentrates and/or beverage bases in the Concentrate segment, which generally generate lower net operating revenues than those products within the Finished Products segment.

Net sales for the Finished Products segment were $2,518.5 million for the year ended December 31, 2015, an increase of approximately $204.0 million, or 8.8% higher than net sales of $2,314.5 million for the year ended December 31, 2014.

Net sales for the Concentrate segment were $143.3 million for the year ended December 31, 2015 (effectively from June 13, 2015 to December 31, 2015). There were no net sales for the Concentrate segment for the year ended December 31, 2014.

Net sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), were $60.8 million for the year ended December 31, 2015 (effectively from January 1, 2015 to June 12, 2015), a decrease of approximately $89.6 million, or 59.6% lower than net sales of $150.3 million for the year ended December 31, 2014.

Gross Profit. Gross profit was $1,632.3 million for the year ended December 31, 2015, an increase of approximately $292.5 million, or 21.8% higher than the gross profit of $1,339.8 million for the years ended

December 31, 2014. Gross profit as a percentage of net sales increased to 60.0% for the year ended December 31, 2015 from 54.4% for the year ended December 31, 2014. The increase in gross profit dollars was primarily the result of the $204.0 million increase in net sales of our Monster Energy® brand energy drinks, the $143.3 million of net sales for the Concentrate segment as well as the $39.8 million accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors. The increase in gross profit as a percentage of net sales was primarily attributable to the Concentrate segment, which generally has higher gross margins than the Finished Products segment, the decrease in the net sales of the Other segment, which generally has lower gross margins than the Finished Products segment, and the $39.8 million accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors, as well as due to changes in product sales mix and lower costs of certain sweeteners and other raw materials.

Operating Expenses. Total operating expenses were $900.1 million for the year ended December 31, 2015, an increase of approximately $307.8 million, or 52.0% higher than total operating expenses of $592.3 million for the year ended December 31, 2014. The increase in operating expenses was primarily due to increased costs of $224.2 million associated with terminating certain existing distributors. To a lesser extent, the increase in operating expenses was attributable to increased payroll expenses of $30.0 million (of which $11.9 million was related to payroll taxes in connection with the exercise of certain stock options), increased expenditures of $16.4 million for sponsorships and endorsements and increased expenditures of $10.7 million for transaction expenses related to the TCCC Transaction.

Contribution Margin. Contribution margin for the Finished Products segment was $836.1 million for the year ended December 31, 2015, a decrease of approximately $68.1 million, or 7.5% lower than contribution margin of $904.2 million for the year ended December 31, 2014. The decrease in the contribution margin for the Finished Products segment was primarily the result of the increased expenditures of $224.2 million relating to the costs associated with terminating certain existing distributors. Contribution margin for the Concentrate segment was $89.8 million for the year ended December 31, 2015. There was no contribution margin for the Concentrate segment for the year ended December 31, 2014. Contribution margin for the Other segment was $165.2 million for the year ended December 31, 2015 (effectively from January 1 to June 12), as compared to $7.6 million for the year ended December 31, 2014. The increase in contribution margin for the Other segment was primarily the result of the $161.5 million gain on the sale of Monster Non-Energy.

Operating Income. Operating income was $893.7 million for the year ended December 31, 2015, an increase of approximately $146.1 million, or 19.6% higher than operating income of $747.5 million for the year ended December 31, 2014. Operating income as a percentage of net sales increased to 32.8% for the year ended December 31, 2015 from 30.3% for the year ended December 31, 2014, primarily due to the $292.5 million increase in gross profit as well as the $161.5 million gain on the sale of Monster Non-Energy. The increase in operating income in dollars was offset by increased costs of $224.2 million associated with terminating certain existing distributors as well as the increase in other operating expenses. Operating income was $51.5 million and $37.8 million for the year ended December 31, 2015 and 2014, respectively, in relation to our operations in Africa, Asia, Australia, Europe, the Middle East and South America.

Other Expense, net. Other expense, net was $2.1 million for the year ended December 31, 2015, as compared to other expense, net of $1.7 million for the year ended December 31, 2014. Foreign currency transaction losses were $5.5 million and $3.4 million for the year ended December 31, 2015 and 2014, respectively. Interest income was $3.1 million and $1.1 million for the year ended December 31, 2015 and 2014, respectively.

Provision for Income Taxes. Provision for income taxes was $344.8 million for the year ended December 31, 2015, an increase of $82.2 million or 31.3% higher than the provision for income taxes of $262.6 million for the year ended December 31, 2014. The effective combined federal, state and foreign tax rate increased to 38.7% from 35.2% for the year ended December 31, 2015 and 2014, respectively. The increase in the effective tax rate was primarily due to the disallowance for tax purposes of certain costs related to the TCCC Transaction, the decrease in tax benefits relating to the domestic production deduction and the establishment of

valuation allowances against the deferred tax assets in certain foreign jurisdictions. In addition, the profits, or a portion thereof, earned in certain foreign subsidiaries during the year ended December 31, 2014 had no related tax expense as a result of the prior establishment of valuation allowances on their deferred tax assets. The increase in the effective tax rate for the year ended December 31, 2015 was partially offset by the release of the valuation allowances against the deferred tax assets of certain foreign jurisdictions.

Net Income. Net income was $546.7 million for the year ended December 31, 2015, an increase of $63.5 million or 13.2% higher than net income of $483.2 million for the year ended December 31, 2014.

Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013.

Net Sales. Net sales were $2,464.9 million for the year ended December 31, 2014, an increase of approximately $218.4 million, or 9.7% higher than net sales of $2,246.4 million for the year ended December 31, 2013. The increase in net sales of our Monster Energy® brand energy drinks represented approximately $220.1 million, or 100.9%, of the overall increase in net sales. Net sales of our Monster Energy® brand energy drinks increased primarily due to increased sales by volume as a result of increased domestic and international consumer demand as well as our expansion into new international markets. Price increases on our 24-ounce Monster Energy® brand energy drinks and our former Peace Tea® line represented approximately 7% of the overall increase in net sales. No other individual product line contributed either a material increase or decrease to net sales for the year ended December 31, 2014.

Collective changes in foreign currency exchange rates did not have a material impact on net sales for the year ended December 31, 2014.

Case sales, in 192-ounce case equivalents, were 238.3 million cases for the year ended December 31, 2014, an increase of approximately 16.9 million cases or 7.6% higher than case sales of 221.3 million cases for the year ended December 31, 2013. The overall average net sales per case increased to $10.34 for the year ended December 31, 2014, which was 1.9% higher than the average net sales per case of $10.15 for the year ended December 31, 2013.

Net sales for the Finished Products segment were $2,314.5 million for the year ended December 31, 2014, an increase of approximately $220.1 million, or 10.5% higher than net sales of $2,094.4 million for the year ended December 31, 2013.

There were no net sales for the Concentrate segment for the years ended December 31, 2014 and 2013.

Net sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), were $150.4 million for the year ended December 31, 2014, a decrease of approximately $1.7 million, or 1.1% lower than net sales of $152.0 million for the year ended December 31, 2013.

Gross Profit. Gross profit was $1,339.8 million for the year ended December 31, 2014, an increase of approximately $166.9 million, or 14.2% higher than the gross profit of $1,172.9 million for the year ended December 31, 2013. Gross profit as a percentage of net sales increased to 54.4% for the year ended December 31, 2014 from 52.2% for the year ended December 31, 2013. The increase in gross profit dollars was primarily the result of the $220.1 million increase in net sales of our Monster Energy® brand energy drinks. The increase in gross profit as a percentage of net sales was largely attributable to lower promotional and other allowances as a percentage of gross sales, price increases on our 24-ounce Monster Energy® brand energy drinks and our former Peace Tea® line, changes in product sales mix, lower costs of certain sweeteners and other raw materials as well as an increase in production efficiencies.

Operating Expenses. Total operating expenses were $592.3 million for the year ended December 31, 2014, a decrease of approximately $7.7 million, or 1.3% lower than total operating expenses of $600.0 million for

the year ended December 31, 2013. The decrease in operating expenses was partially attributable to decreased expenditures of $10.9 million relating to the costs associated with terminating existing distributors, decreased expenditures of $9.9 million for premiums, decreased expenditures of $8.6 million for allocated trade development, a $2.5 million non-routine indirect tax related provision recorded in the third quarter of 2013, subsequently reversed in the second quarter of 2014 for non-realization, and decreased expenditures of $4.0 million for point-of-sale materials. The decrease in operating expenses was partially offset by increased out-bound freight and warehouse costs of $7.2 million, increased expenditures of $6.3 million for sponsorships and endorsements, increased payroll expenses of $6.4 million (inclusive of decreased stock-based compensation of $0.2 million), increased expenditures of $2.7 million related to regulatory matters and litigation concerning our Monster Energy® brand energy drinks and expenditures of $4.8 million for professional service costs related to the TCCC Transaction.

Contribution Margin. Contribution margin for the Finished Products segment was $904.2 million for the year ended December 31, 2014, an increase of approximately $175.9 million, or 24.2% higher than contribution margin of $728.3 million for the year ended December 31, 2013. The increase in the contribution margin for the Finished Products segment was primarily the result of the $241.1 million increase in gross sales of our Monster Energy® brand energy drinks. Contribution margin for the Other segment was $7.6 million for the year ended December 31, 2014, approximately $10.7 million higher than contribution loss of ($3.1) million for the year ended December 31, 2013. There was no contribution margin for the Concentrate segment for the years ended December 31, 2014 and 2013.

Operating Income. Operating income was $747.5 million for the year ended December 31, 2014, an increase of approximately $174.6 million, or 30.5% higher than operating income of $572.9 million for the year ended December 31, 2013. Operating income as a percentage of net sales increased to 30.3% for the year ended December 31, 2014 from 25.5% for the year ended December 31, 2013, primarily due to the increase in gross profit as a percentage of net sales as well as the decrease in operating expenses as a percentage of net sales. The increase in operating income in dollars was primarily due to an increase of $166.9 million in gross profit. Operating income (loss) was $37.8 million and ($12.9) million for the years ended December 31, 2014 and 2013, respectively, in relation to our operations in Africa, Asia, Australia, Europe, the Middle East and South America.

Other Expense, net. Other expense, net was $1.7 million for the year ended December 31, 2014, as compared to other expense, net of $9.0 million for the year ended December 31, 2013. Foreign currency transaction losses were $3.4 million and $12.9 million for the years ended December 31, 2014 and 2013, respectively. The decrease in foreign currency losses during the year ended December 31, 2014 was primarily related to our foreign currency transactions in Australia, Japan, Ireland and South Africa. Interest income was $1.1 million and $0.4 million for the years ended December 31, 2014 and 2013, respectively.

Provision for Income Taxes. Provision for income taxes was $262.6 million for the year ended December 31, 2014, an increase of $37.4 million or 16.6% higher than the provision for income taxes of $225.2 million for the year ended December 31, 2013. The effective combined federal, state and foreign tax rate decreased to 35.2% from 39.9% for the years ended December 31, 2014 and 2013, respectively. The decrease in the effective tax rate was primarily the result of profits earned in certain foreign subsidiaries that have no related income tax expense, as a result of the prior establishment of valuation allowances on their deferred tax assets.

Net Income. Net income was $483.2 million for the year ended December 31, 2014, an increase of $144.5 million or 42.7% higher than net income of $338.7 million for the year ended December 31, 2013. The increase in net income was primarily attributable to an increase in gross profit of $166.9 million. The increase in net income was partially offset by an increase in the provision for income taxes of $37.4 million.

Non-GAAP Financial Measures

*Gross sales***. Gross sales were $3,105.7 million for the year ended December 31, 2015, an increase of approximately $278.6 million, or 9.9% higher than gross sales of $2,827.1 million for the year ended

December 31, 2014. The increase in the gross sales of our Monster Energy® brand energy drinks represented approximately $222.1 million, or 79.7%, of the overall increase in gross sales. Gross sales of our Monster Energy® brand energy drinks increased primarily due to increased sales by volume as a result of increased domestic and international consumer demand. Gross sales of our Strategic Brands were $156.3 million for the year ended December 31, 2015. Gross sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction on June 12, 2015 (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), decreased $99.8 million for the year ended December 31, 2015 from the year ended December 31, 2014. Gross sales for the year ended December 31, 2015 included $39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors, which represented 14.3% of our overall increase in gross sales. No other individual product line contributed either a material increase or decrease to gross sales for the year ended December 31, 2015. Promotional and other allowances, as described in the footnote below, were $383.1 million for the year ended December 31, 2015, an increase of $20.9 million, or 5.8% higher than promotional and other allowances of $362.2 million for the year ended December 31, 2014. Promotional and other allowances as a percentage of gross sales decreased to 12.3% from 12.8% for the year ended December 31, 2015 and 2014, respectively.

Changes in foreign currency exchange rates had an unfavorable impact on gross sales in the Finished Products segment of approximately $92.2 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on gross sales in the Concentrate segment of approximately $10.2 million for the year ended December 31, 2015, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

*Gross Sales***. Gross sales were $2,827.1 million for the year ended December 31, 2014, an increase of approximately $240.6 million, or 9.3% higher than gross sales of $2,586.5 million for the year ended December 31, 2013. The increase in the gross sales of our Monster Energy® brand energy drinks represented approximately $241.1 million, or 100.2%, of the overall increase in gross sales. Gross sales of our Monster Energy® brand energy drinks increased primarily due to increased sales by volume as a result of increased domestic and international consumer demand as well as our expansion into new international markets. Price increases on our 24-ounce Monster Energy® brand energy drinks and our former Peace Tea® line represented approximately 7% of the overall increase in gross sales. No other individual product line contributed either a material increase or decrease to gross sales for the year ended December 31, 2014. Promotional and other allowances, as described in the footnote above, were $362.2 million for the year ended December 31, 2014, an increase of $22.1 million, or 6.5% higher than promotional and other allowances of $340.1 million for the year ended December 31, 2013. Promotional and other allowances as a percentage of gross sales decreased to 12.8% from 13.1% for the year ended December 31, 2014 and 2013, respectively. As a result, the percentage increase in net sales for the year ended December 31, 2014 was higher than the percentage increase in gross sales.

Collective changes in foreign currency exchange rates did not have a material impact on gross sales for the year ended December 31, 2014.

***Gross sales is used internally by management as an indicator of and to monitor operating performance, including sales performance of particular products, salesperson performance, product growth or declines and overall Company performance. The use of gross sales allows evaluation of sales performance before the effect of any promotional items, which can mask certain performance issues. We therefore believe that the presentation of gross sales provides a useful measure of our operating performance. Gross sales is not a measure that is recognized under GAAP and should not be considered as an alternative to net sales, which is determined in accordance with GAAP, and should not be used alone as an indicator of operating performance in place of net sales. Additionally, gross sales may not be comparable to similarly titled measures used by other companies, as gross sales has been defined by our internal reporting practices. In addition, gross sales may not be realized in the form of cash receipts as promotional payments and allowances may be deducted from payments received from certain customers.*

The following table reconciles the non-GAAP financial measure of gross sales with the most directly comparable GAAP financial measure of net sales:

In thousands	2015	2014	2013	Percentage Change 15 vs. 14	Percentage Change 14 vs. 13
Gross sales, net of discounts and returns	$ 3,105,665	$ 2,827,092	$ 2,586,531	9.9%	9.3%
Less: Promotional and other allowances***	383,101	362,225	340,103	5.8%	6.5%
Net Sales	$ 2,722,564	$ 2,464,867	$ 2,246,428	10.5%	9.7%

****Although the expenditures described in this line item are determined in accordance with GAAP and meet GAAP requirements, the presentation thereof does not conform with GAAP presentation requirements. Additionally, our definition of promotional and other allowances may not be comparable to similar items presented by other companies. Promotional and other allowances primarily include consideration given to the Company's bottlers/distributors or retail customers including, but not limited to the following: (i) discounts granted off list prices to support price promotions to end-consumers by retailers; (ii) reimbursements given to the Company's bottlers/distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products; (iii) the Company's agreed share of fees given to bottlers/distributors and/or directly to retailers for advertising, in-store marketing and promotional activities; (iv) the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers; (v) incentives given to the Company's bottlers/distributors and/or retailers for achieving or exceeding certain predetermined sales goals; (vi) discounted or free products; (vii) contractual fees given to the Company's bottlers/distributors related to sales made by the Company direct to certain customers that fall within the bottler's/distributors' sales territories; and (viii) commissions paid to our customers. The presentation of promotional and other allowances facilitates an evaluation of their impact on the determination of net sales and the spending levels incurred or correlated with such sales. Promotional and other allowances constitute a material portion of our marketing activities. The Company's promotional allowance programs with its numerous bottlers/distributors and/or retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one week to one year. The primary drivers of our promotional and other allowance activities for the years ended December 31, 2015, 2014 and 2013 were (i) to increase sales volume and trial, (ii) to address market conditions, and (iii) to secure shelf and display space at retail.*

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). Unit case volume means the number of unit cases (or unit case equivalents) of finished products or concentrates as if converted into finished products, sold by us.

Our 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 calendar year. In addition, our experience with our energy drink products suggests they are less seasonal than the seasonality expected from traditional beverages. 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, distributors and customers, changes in the sales mix of our products and changes in and/or increased advertising and promotional expenses. (See "Part I, Item 1 – Business – Seasonality").

	2015	**2014**	**2013**	**2012**	**2011**
Unit Case Volume / Sales (in Thousands)					
Quarter 1	57,779	51,926	47,749	44,396	34,681
Quarter 2	68,037	65,587	61,615	57,525	44,272
Quarter 3	81,274	62,204	59,204	54,611	46,277
Quarter 4	67,531	58,563	52,780	46,386	39,431
Total	274,621	238,280	221,348	202,918	164,661

Net Sales (in Thousands)					
Quarter 1	$ 626,791	$ 536,129	$ 484,223	$ 454,605	$ 356,419
Quarter 2	693,722	687,199	630,934	592,640	462,145
Quarter 3	756,619	635,972	590,422	541,940	474,709
Quarter 4	645,432	605,567	540,849	471,517	409,957
Total	$ 2,722,564	$ 2,464,867	$ 2,246,428	$ 2,060,702	$ 1,703,230
Average Net Sales Per Case					
Quarter 1	$ 10.85	$ 10.32	$ 10.14	$ 10.24	$ 10.28
Quarter 2	10.20	10.48	10.24	10.30	10.44
Quarter 3	9.31	10.22	9.97	9.92	10.26
Quarter 4	9.56	10.34	10.25	10.17	10.40
Total	$ 9.91	$ 10.34	$ 10.15	$ 10.16	$ 10.34

The following represents case sales by segment for the years ended December 31:

(In thousands, except average net sales per case)	2015	2014	2013	2012	2011
Net sales	$ 2,722,564	$ 2,464,867	$ 2,246,428	$ 2,060,702	$ 1,703,230
Case sales by segment:					
Finished Products	228,628	210,444	191,830	173,766	137,579
Concentrate	34,791	-	-	-	-
Other	11,202	27,836	29,518	29,152	27,082
Total case sales	274,621	238,280	221,348	202,918	164,661
Average net sales per case	$ 9.91	$ 10.34	$ 10.15	$ 10.16	$ 10.34

Inflation

We do not believe that inflation had a significant impact on our results of operations for the years ended December 31, 2015, 2014 or 2013.

Liquidity and Capital Resources

Cash flows provided by operating activities. Cash provided by operating activities was $208.0 million for the year ended December 31, 2015, as compared with net cash provided by operating activities of $585.6 million for the year ended December 31, 2014.

For the year ended December 31, 2015, cash provided by operating activities was primarily attributable to net income earned of $546.7 million and adjustments for certain non-cash expenses, consisting of $32.7 million of stock-based compensation and $30.9 million of depreciation and other amortization. For the year ended December 31, 2015, cash provided by operating activities also increased due to a $415.4 million increase in income taxes payable, a $20.9 million increase in accounts payable, a $43.3 million increase in accrued liabilities, a $7.0 million increase in accrued promotional allowances, an $11.2 million increase in accrued distributor terminations, a $5.9 million decrease in prepaid income taxes and a $4.5 million increase in accrued compensation. For the year ended December 31, 2015, cash used in operating activities was due to a $314.7 million excess tax benefit from stock option exercises, a $302.4 million change in deferred income taxes, a $77.3 million increase in accounts receivable, a $38.6 million decrease in deferred revenue, a $7.1 million increase in inventories, and a $9.7 million increase in prepaid expenses and other current assets.

For the year ended December 31, 2014, cash provided by operating activities was primarily attributable to net income earned of $483.2 million and adjustments for certain non-cash expenses consisting of $28.6 million of stock-based compensation and $25.7 million of depreciation and other amortization. For the year ended December 31, 2014, cash provided by operating activities also increased due to a $42.8 million decrease in inventory, a $20.5 million increase in accrued promotional allowances, an $11.3 million increase in accounts payable, an $8.4 million increase in income taxes payable, a $4.6 million decrease in distributor receivables, a $3.4 million increase in accrued compensation and a $3.0 million increase in accrued liabilities. For the year ended December 31, 2014, cash provided by operating activities was reduced due to a $14.3 million increase in accounts receivable, an $11.9 million increase in tax benefit from the exercise of stock options, a $9.8 million increase in deferred income taxes, an $8.1 million decrease in deferred revenue and a $2.3 million decrease in accrued distributor terminations.

Cash flows used in investing activities. Net cash provided by investing activities was $400.1 million for the year ended December 31, 2015 as compared to cash used of $440.4 million for the year ended December 31, 2014.

For the year ended December 31, 2015, cash used in investing activities was primarily attributable to purchases of held-to-maturity investments, purchases of property and equipment, and additions to intangibles. For the year ended December 31, 2014, cash used in investing activities was primarily attributable to purchases of held-to-maturity investments and to purchases of property and equipment. For the year ended December 31, 2015, cash provided by investing activities included $198.0 million from the sale of Monster Non-Energy and $179.7 million from the transfer of distribution rights pursuant to the TCCC Transaction. For both the years ended December 31, 2015 and 2014, cash provided by investing activities was also attributable to maturities of held-to-maturity investments. For both the years ended December 31, 2015 and 2014, cash used in investing activities also included the acquisitions of fixed assets consisting of vans and promotional vehicles, coolers and other equipment to support our marketing and promotional activities, production equipment, furniture and fixtures, office and computer equipment, computer software, and equipment used for sales and administrative activities, as well as certain leasehold improvements. We expect to continue to use a portion of our cash in excess of our requirements for operations for purchasing short-term and long-term investments, and for other corporate purposes, leasehold improvements, the acquisition of capital equipment, specifically, vans, trucks and promotional vehicles, coolers, other promotional equipment, merchandise displays, warehousing racks as well as items of production equipment required to produce certain of our existing and/or new products and to develop our brand in international markets. From time to time, we may also purchase additional real property related to our beverage business and/or acquire compatible businesses as a use of cash in excess of our requirements for operations.

Cash flows provided by financing activities. We generated $1,202.3 million of cash from financing activities for the year ended December 31, 2015 as compared to $19.3 million for the year ended December 31, 2014. The increase in cash flows provided by financing activities of $1,202.3 million was primarily the result of the issuance of our common stock to TCCC during the year ended December 31, 2015 in connection with the TCCC Transaction.

Purchases of inventories, increases in accounts receivable and other assets, acquisition of property and equipment (including real property and coolers), leasehold improvements, acquisition and maintenance of trademarks, payments of accounts payable, income taxes payable and purchases of our common stock are expected to remain our principal recurring use of cash.

Cash and cash equivalents, short-term and long-term investments — As of December 31, 2015, we had $2,175.4 million in cash and cash equivalents and $760.0 million in short-term and long-term investments. We have historically invested these amounts in U.S. Treasury bills, U.S. government agency securities and municipal securities (which may have an auction reset feature), certificates of deposit, commercial paper, variable rate demand notes and money market funds meeting certain criteria. We maintain our investments for cash management purposes and not for purposes of speculation. Our risk management policies emphasize credit quality

(primarily based on short-term ratings by nationally recognized statistical rating organizations) in selecting and maintaining our investments. We regularly assess market risk of our investments and believe our current policies and investment practices adequately limit those risks. However, certain of these investments are subject to general credit, liquidity, market and interest rate risks. These risks associated with our investment portfolio may have an adverse effect on our future results of operations, liquidity and financial condition.

Of our $2,175.4 million of cash and cash equivalents held at December 31, 2015, $174.3 million was held by our foreign subsidiaries. No short-term or long-term investments were held by our foreign subsidiaries at December 31, 2015. We do not intend, nor do we foresee a need, to repatriate undistributed earnings of our foreign subsidiaries other than to repay certain intercompany debt owed to our U.S. operations. Under current tax laws, if funds in excess of intercompany amounts owed were repatriated to our U.S. operations, we would be required to accrue and pay additional income taxes on such excess funds at the tax rates then in effect.

We believe that cash available from operations, including our cash resources and our revolving line of credit, will be sufficient for our working capital needs, including purchase commitments for raw materials and inventory, increases in accounts receivable, payments of tax liabilities, expansion and development needs, purchases of shares of our common stock, as well as purchases of capital assets, equipment and properties, through at least the next 12 months. Based on our current plans, at this time we estimate that capital expenditures are likely to be approximately $2.8 billion through December 31, 2016, including the completion of our purchase of American Fruits and Flavors as well as additional share repurchases as authorized by our Board of Directors on February 24, 2016 (see Note 20 “Subsequent Events” in the notes to consolidated financial statements). However, future business opportunities may cause a change in this estimate.

The following represents a summary of the Company’s contractual commitments and related scheduled maturities as of December 31, 2015:

	Payments due by period (in thousands)				
Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations[1]	$ 111,615	$ 67,356	$ 44,199	$ 60	$ -
Capital Leases	811	811	-	-	-
Operating Leases	10,725	7,202	1,945	838	740
Purchase Commitments[2]	40,794	40,794	-	-	-
	$ 163,945	$ 116,163	$ 46,144	$ 898	$ 740

[1]Contractual obligations include our obligations related to sponsorships and other commitments.

[2]Purchase commitments include obligations made by us and our subsidiaries to various suppliers for raw materials used in the production of our products. These obligations vary in terms, but are generally satisfied within one year.

In addition, approximately $0.5 million of recognized tax benefits have been recorded as liabilities as of December 31, 2015. It is expected that any change in the amount of unrecognized tax benefit within the next 12 months will not be significant. We have also recorded a liability for potential penalties and interest of $0.2 million as of December 31, 2015.

Accounting Policies and Pronouncements

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP. GAAP requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements. The following summarizes our most significant accounting and reporting policies and practices:

Business Combinations – Business acquisitions are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations". ASC 805 requires the reporting entity to identify the acquirer, determine the acquisition date, recognize and measure the identifiable tangible and intangible assets acquired, the liabilities assumed and any non-controlling interest in the acquired entity, and recognize and measure goodwill or a gain from the purchase. The acquiree's results are included in the Company's consolidated financial statements from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over the amounts assigned is recorded as goodwill. Adjustments to fair value assessments are recorded to goodwill over the measurement period (not longer than twelve months). The acquisition method also requires that acquisition-related transaction and post-acquisition restructuring costs be charged to expense and requires the Company to recognize and measure certain assets and liabilities including those arising from contingencies and contingent consideration in a business combination.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less from date of purchase to be cash equivalents. Throughout the year, the Company has had amounts on deposit at financial institutions that exceed the federally insured limits. The Company has not experienced any loss as a result of these deposits and does not expect to incur any losses in the future.

Investments – The Company's investments in debt securities are classified as either held-to-maturity, available-for-sale or trading, in accordance with ASC 320. Held-to-maturity securities are those securities that the Company has the positive intent and ability to hold until maturity. Trading securities are those securities that the Company intends to sell in the near term. All other securities not included in the held-to-maturity or trading category are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost which approximates fair market value. Trading securities are carried at fair value with unrealized gains and losses charged to earnings. Available-for-sale securities are carried at fair value with unrealized gains and losses recorded within accumulated other comprehensive loss as a separate component of stockholders' equity. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. Under ASC 320-10-35, a security is considered to be other-than-temporarily impaired if the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference being defined as the "Credit Loss") or if the fair value of the security is less than the security's amortized cost basis and the investor intends, or will be required, to sell the security before recovery of the security's amortized cost basis. If an other-than-temporary impairment exists, the charge to earnings is limited to the amount of Credit Loss if the investor does not intend to sell the security, and will not be required to sell the security, before recovery of the security's amortized cost basis. Any remaining difference between fair value and amortized cost is recognized in other comprehensive loss, net of applicable taxes. The Company evaluates whether the decline in fair value of its investments is other-than-temporary at each quarter-end. This evaluation consists of a review by management, and includes market pricing information and maturity dates for the securities held, market and economic trends in the industry and information on the issuer's financial condition and, if applicable, information on the guarantors' financial condition. Factors considered in determining whether a loss is temporary include the length of time and extent to which the investment's fair value has been less than its cost basis, the financial condition and near-term prospects of the issuer and guarantors, including any specific events which may influence the operations of the issuer and our intent and ability to retain the investment for a reasonable period of time sufficient to allow for any anticipated recovery of fair value.

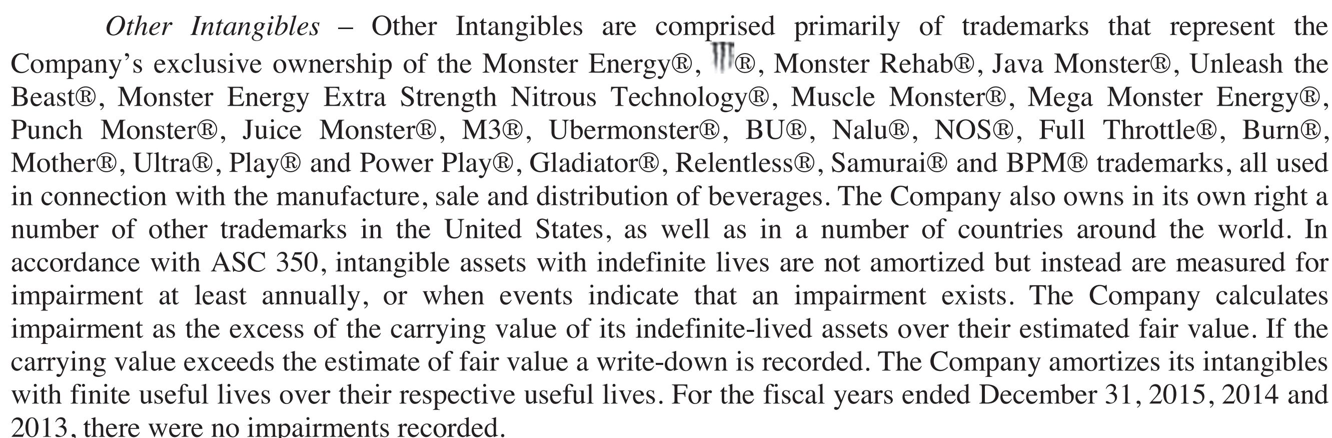
Accounts Receivable – The Company evaluates the collectability of its trade accounts receivable based on a number of factors. In circumstances where the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent loss history and an overall assessment of past due trade accounts receivable outstanding. In accordance with ASC 210-20-45, in its consolidated balance sheets, the Company has presented accounts

receivable, net of promotional allowances, only for those customers that it allows net settlement. All other accounts receivable and related promotional allowances are shown on a gross basis.

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

Property and Equipment – Property and equipment are stated at cost. Depreciation of furniture and fixtures, office and computer equipment, computer software, 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. Normal repairs and maintenance costs are expensed as incurred. Expenditures that materially increase values or extend useful lives are capitalized. The related costs and accumulated depreciation of disposed assets are eliminated and any resulting gain or loss on disposition is included in net income.

Goodwill – The Company records goodwill when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired, including related tax effects. Goodwill is not amortized; instead goodwill is tested for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If the Company determines that the fair value is less than the carrying value, the Company will use a two-step process to determine the amount of goodwill impairment. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process, performed only if a potential impairment exists, involves determining the difference between the fair value of the reporting unit's net assets, other than goodwill, and the fair value of the reporting unit. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.



Other Intangibles – Other Intangibles are comprised primarily of trademarks that represent the Company's exclusive ownership of the Monster Energy®, ®, Monster Rehab®, Java Monster®, Unleash the Beast®, Monster Energy Extra Strength Nitrous Technology®, Muscle Monster®, Mega Monster Energy®, Punch Monster®, Juice Monster®, M3®, Ubermonster®, BU®, Nalu®, NOS®, Full Throttle®, Burn®, Mother®, Ultra®, Play® and Power Play®, Gladiator®, Relentless®, Samurai® and BPM® trademarks, all used in connection with the manufacture, sale and distribution of beverages. 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. In accordance with ASC 350, intangible assets with indefinite lives are not amortized but instead are measured for impairment at least annually, or when events indicate that an impairment exists. The Company calculates impairment as the excess of the carrying value of its indefinite-lived assets over their estimated fair value. If the carrying value exceeds the estimate of fair value a write-down is recorded. The Company amortizes its intangibles with finite useful lives over their respective useful lives. For the fiscal years ended December 31, 2015, 2014 and 2013, there were no impairments recorded.

Long-Lived Assets – Management regularly reviews property and equipment and other long-lived assets, including certain definite-lived intangible assets, 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, management then 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 using the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. For the fiscal years ended December 31, 2015, 2014 and 2013, there were no

impairment indicators identified. Long-lived assets held for sale are recorded at the lower of their carrying amount or fair value less cost to sell.

Foreign Currency Translation and Transactions – The accounts of the Company's foreign subsidiaries are translated in accordance with ASC 830. Foreign currency transaction gains and losses are recognized in other expense, net, at the time they occur. Net foreign currency exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries whose functional currency is not the U.S. dollar are recorded as a part of accumulated other comprehensive loss in stockholders' equity. Unrealized foreign currency exchange gains and losses on certain intercompany transactions that are of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future) are also recorded in accumulated other comprehensive loss in stockholders' equity. During the year ended December 31, 2015 and 2014, we entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries non-functional currency denominated assets and liabilities. All foreign currency exchange contracts outstanding as of December 31, 2015 have terms of one month or less. We do not enter into forward currency exchange contracts for speculation or trading purposes.

Revenue Recognition – The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Generally, ownership of and title to the Company's finished products passes to customers upon delivery of the products to customers. Certain of the Company's distributors may also perform a separate function as a co-packer on the Company's behalf. In such cases, ownership of and title to the Company's products that are co-packed on the Company's behalf by those co-packers who are also distributors, passes to such distributors when the Company is notified by them that they have taken transfer or possession of the relevant portion of the Company's finished goods.

Revenue for the Concentrate Segment is generally recognized when title to the concentrate is transferred to the customer. In particular, title to the concentrate usually passes upon shipment to the customers' locations, as determined by the specific sales terms of the transactions.

Net sales have been determined after deduction of promotional and other allowances in accordance with ASC 605-50. The Company's promotional and other allowances are calculated based on various programs with its distributors and retail customers, and accruals are established during the year for the anticipated liabilities. These accruals are based on agreed upon terms as well as the Company's historical experience with similar programs and require management's judgment with respect to estimating consumer participation and/or distributor and retail customer performance levels. Differences between such estimated expense and actual expenses for promotional and other allowance costs have historically been insignificant and are recognized in earnings in the period such differences are determined. Amounts received pursuant to new and/or amended distribution agreements entered into with certain distributors, relating to the costs associated with terminating the Company's prior distributors, are accounted for as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years.

Management believes that adequate provision has been made for cash discounts, returns and spoilage based on the Company's historical experience.

Cost of Sales – Cost of sales consists of the costs of concentrates and/or beverage bases, the costs of raw materials utilized in the manufacture of products, co-packing fees, repacking fees, in-bound freight charges, as well as certain internal transfer costs, warehouse expenses incurred prior to the manufacture of the Company's finished products and certain quality control costs. Raw materials account for the largest portion of the cost of sales. Raw materials include cans, bottles, other containers, flavors, ingredients and packaging materials.

Operating Expenses – Operating expenses include selling expenses such as distribution expenses to transport products to customers and warehousing expenses after manufacture, as well as expenses for advertising, sampling and in-store demonstration costs, costs for merchandise displays, point-of-sale materials and premium items, sponsorship expenses, other marketing expenses and design expenses. Operating expenses also include such costs as payroll costs, travel costs, professional service fees including legal fees, termination payments made to certain of the Company's prior distributors, depreciation and other general and administrative costs.

Income Taxes – The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances the Company considers projected future taxable income and the availability of tax planning strategies. If in the future the Company determines that it would not be able to realize its recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Recent Accounting Pronouncements

See "Part II, Item 8 – Financial Statements and Supplementary Data – Note 1 – Organization and Summary of Significant Accounting Policies – Recent Accounting Pronouncements" for a full description of recent accounting pronouncements including the respective expected dates of adoption and expected effects on the Company's consolidated financial position, results of operations or liquidity.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. Certain statements made in this report may constitute forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act, as amended) regarding our expectations with respect to revenues, profitability, adequacy of funds from operations and our existing credit facility, among other things. All statements containing a projection of revenues, income (loss), earnings (loss) per share, capital expenditures, dividends, capital structure or other financial items, a statement of management's plans and objectives for future operations, or a statement of future economic performance contained in management's discussion and analysis of financial condition and results of operations, including statements related to new products, volume growth and statements encompassing general optimism about future operating results and non-historical information, are forward-looking statements within the meaning of the Act. Without limiting the foregoing, the words "believes," "thinks," "anticipates," "plans," "expects," "estimates," and similar expressions are intended to identify forward-looking statements.

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

- Our ability to recognize any and/or all of the benefits from the TCCC Transaction;
- The effect of our extensive commercial arrangements with TCCC on our future performance;

- The effect of TCCC becoming one of our significant shareholders and the potential divergence of TCCC's interests from those of our other shareholders;
- Our ability to successfully transfer the distribution of our Monster Energy® brand energy drinks in certain existing domestic and international territories to bottlers/distributors within the TCCC distribution system on terms beneficial to us;
- Our ability to successfully enter into new distribution agreements with bottlers/distributors within the TCCC distribution system for new international territories;
- Disruption in distribution or sales and/or decline in sales due to the termination and/or appointment of existing and/or new domestic and/or international distributors;
- Lack of anticipated demand for our products in domestic and/or international markets;
- Unfavorable regulations, including taxation requirements, product registration requirements, tariffs, trade restrictions, container size limitations and/or ingredient restrictions;
- The effect of inquiries from and/or actions by state attorneys general, the Federal Trade Commission (the "FTC"), the FDA, municipalities or city attorneys and/or other government agencies and/or quasi-government agencies and/or government officials, including members of Congress, into the advertising, marketing, promotion, ingredients, sale and/or consumption of our energy drink products, including voluntary and/or required changes to our business practices;
- Our ability to achieve profitability from our operations outside the United States;
- Our ability to manage legal and regulatory requirements in foreign jurisdictions, potential difficulties in staffing and managing foreign operations, potentially higher incidence of fraud or corruption and credit risk of foreign customers and distributors;
- Our ability to produce our products in international markets in which they are sold, thereby reducing freight costs and/or product damages;
- Our ability to effectively manage our inventories and/or our accounts receivables;
- Our foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar, which will continue to increase as foreign sales increase;
- Changes in accounting standards may affect our reported profitability;
- Any proceedings which may be brought against us by the Securities and Exchange Commission (the "SEC"), the FDA, the FTC or other governmental agencies or bodies;
- The outcome of shareholder securities litigation and/or shareholder derivative actions filed against us and/or against certain of our officers and directors, and the possibility of other private shareholder litigation;
- The possibility of future shareholder derivative actions or shareholder securities litigation filed against us;
- The outcome of product liability litigation and/or class action litigation regarding the safety of our products and/or the ingredients in and/or claims made in connection with our products and/or alleging false advertising, marketing and/or promotion, and the possibility of future product liability and/or class action lawsuits;
- The current uncertainty and volatility in the national and global economy;
- Our ability to address any significant deficiencies or material weakness in our internal controls over financial reporting;
- Our ability to continue to generate sufficient cash flows to support capital expansion plans and general operating activities;
- Decreased demand for our products resulting from changes in consumer preferences and/or from decreased consumer discretionary spending power and/or from higher gasoline prices;
- Changes in demand that are weather related;
- Competitive products and pricing pressures and our ability to gain or maintain our share of sales in the marketplace as a result of actions by competitors;
- Our ability to introduce new products;
- An inability to achieve volume growth through product and packaging initiatives;
- Our ability to sustain the current level of sales and/or increase the sales of our Monster Energy® brand energy drinks and/or our other products, including the Strategic Brands acquired from TCCC;
- The impact of criticism of our energy drink products and/or the energy drink market generally and/or legislation enacted, whether as a result of such criticism or otherwise, that restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental

programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose excise and/or sales taxes, limit product sizes or impose age restrictions for the sale of energy drinks;

- Our ability to comply with and/or resulting lower consumer demand for energy drinks due to proposed and/or future U.S. federal, state and local laws and regulations and/or proposed or existing laws and regulations in certain foreign jurisdictions and/or any changes therein, including changes in taxation requirements (including tax rate changes, new tax laws, new and/or increased excise and/or sales and/or other taxes on our products and revised tax law interpretations) and environmental laws, as well as the FD&C Act, including as amended by the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, as well as changes in any other food, drug or similar laws in the United States and internationally, especially those that may restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose excise taxes, limit product sizes, or impose age restrictions for the sale of energy drinks, as well as laws and regulations or rules made or enforced by the FDA, and/or the Bureau of Alcohol, Tobacco and Firearms and Explosives, and/or the Federal Trade Commission;
- Our ability to satisfy all criteria set forth in any model energy drink guidelines, including, without limitation, those adopted by the American Beverage Association, of which the Company is a member, and/or any international beverage association and the impact on the Company of such guidelines;
- Disruptions in the timely import or export of our products and/or ingredients due to port strikes and related labor issues;
- The effect of unfavorable or adverse public relations and/or press and/or articles, comments and/or media attention;
- Changes in the cost, quality and availability of containers, packaging materials, aluminum, the Midwest and other premiums, raw materials and other ingredients and juice concentrates, and our ability to obtain and/or maintain favorable supply arrangements and relationships and procure timely and/or sufficient production of all or any of our products to meet customer demand;
- The impact of corporate activity among the limited number of suppliers from whom we purchase certain raw materials on our cost of sales;
- Our ability to pass on to our customers all or a portion of any increases in the costs of raw materials and/or ingredients and/or commodities and/or other cost inputs affecting our business;
- Our ability to achieve both internal domestic and international forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others; there can be no assurance that we will achieve projected levels of sales as well as forecasted product and/or geographic mixes;
- Our ability to penetrate new domestic and/or international markets and/or gain approval or mitigate the delay in securing approval for the sale of our products in various countries;
- Economic or political instability in one or more of our international markets;
- The effectiveness of sales and/or marketing efforts by us and/or the distributors of our products, most of which distribute products that are competitive with our products;
- Unilateral decisions by distributors, convenience chains, grocery chains, mass merchandisers, specialty chain stores, club stores and other customers to discontinue carrying all or any of our products that they are carrying at any time and/or restrict the range of our products they carry and/or devote less resources to the sale of our products;
- The costs and/or effectiveness, now or in the future, of our advertising, marketing and promotional strategies;
- The success of our sports marketing endeavors both domestically and internationally;
- Changes in product category consumption;
- Unforeseen economic and political changes;
- Possible recalls of our products and/or defective production;
- Our ability to make suitable arrangements for the co-packing of any of our products both domestically and internationally and/or the timely replacement of discontinued co-packing arrangements;
- Our ability to make suitable arrangements for the timely procurement of non-defective raw materials;
- Our inability to protect and/or the loss of our intellectual property rights and/or our inability to use our trademarks and/or trade names or designs in certain countries;

- Volatility of stock prices which may restrict stock sales, stock purchases or other opportunities;
- Provisions in our organizational documents and/or control by insiders which may prevent changes in control even if such changes would be beneficial to other stockholders;
- The failure of our bottlers and/or contract packers to manufacture our products on a timely basis or at all;
- Exposure to significant liabilities due to litigation, legal or regulatory proceedings;
- Any disruption in and/or lack of effectiveness of our information technology systems, including a breach of cyber security, that disrupts our business or negatively impacts customer relationships; and
- Recruitment and retention of senior management, other key employees and our employee base in general.

The foregoing list of important factors and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission is not exhaustive. See "Part I, Item 1A – Risk Factors," for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. Those factors and the other risk factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our financial position is routinely subject to a variety of risks. The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which we are exposed are fluctuations in commodity prices affecting the costs of our raw materials (including, but not limited to, increases in the costs of juice concentrates, increases in the price of aluminum for cans, as well as cane sugar and other sweeteners, glucose, sucrose, milk, cream and protein, all of which are used in some or many of our products), fluctuations in energy and fuel prices, and limited availability of certain raw materials. We generally do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials. We are also subject to market risks with respect to the cost of commodities because our ability to recover increased costs through higher pricing is limited by the competitive environment in which we operate.

We do not use derivative financial instruments to protect ourselves from fluctuations in interest rates and do not hedge against fluctuations in commodity prices.

Our gross sales to customers outside of the United States were approximately 23% of consolidated gross sales for the years ended December 31, 2015 and 2014. Our growth strategy includes expanding our international business. As a result, we are subject to risks from changes in foreign currency exchange rates. During the year ended December 31, 2015, we entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries' non-functional currency denominated assets and liabilities. All foreign currency exchange contracts entered into by us as of December 31, 2015 have terms of one month or less. We do not enter into forward currency exchange contracts for speculation or trading purposes.

We have not designated our foreign currency exchange contracts as hedge transactions under ASC 815. Therefore, gains and losses on our foreign currency exchange contracts are recognized in other expense, net, in the consolidated statements of income, and are largely offset by the changes in the fair value of the underlying economically hedged item. We do not consider the potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates as of December 31, 2015 to be significant.

As of December 31, 2015, we had $2,175.4 million in cash and cash equivalents and $760.0 million in short-term and long-term investments including U.S. treasuries, certificates of deposit and municipal securities which may have an auction reset feature. Certain of these investments are subject to general credit, liquidity, market and interest rate risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be furnished in response to this ITEM 8 follows the signature page and Index to Exhibits hereto at pages 72 through 113.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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 (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC and (2) accumulated and communicated to our management, including our principal executive and principal financial officers as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting – Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our management's evaluation under the framework in *Internal Control - Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Our internal control over financial reporting as of December 31, 2015, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

Changes in Internal Control Over Financial Reporting – There were no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Monster Beverage Corporation
Corona, California

We have audited the internal control over financial reporting of Monster Beverage Corporation and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
February 29, 2016

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item regarding our directors is included under the caption "Proposal One – Election of Directors" in our Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015 (the "2016 Proxy Statement") and is incorporated herein by reference.

Information concerning compliance with Section 16(a) of the Exchange Act is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2016 Proxy Statement and is incorporated herein by reference.

Information concerning the Audit Committee and the Audit Committee Financial expert is reported under the caption "Audit Committee; Report of the Audit Committee; Duties and Responsibilities" in our 2016 Proxy Statement and is incorporated herein by reference.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all our directors, officers (including our principal executive officer, principal financial officer, principal accounting officer and controllers) and employees and is available at http://investors.monsterbevcorp.com/governance.cfm. The Code of Business Conduct and Ethics and any amendment thereto, as well as any waivers that are required to be disclosed by the rules of the SEC or NASDAQ, may be obtained at no cost to you by writing or telephoning us at the following address or telephone number:

Monster Beverage Corporation
1 Monster Way
Corona, CA 92879
(951) 739-6200
(800) 426-7367

ITEM 11. EXECUTIVE COMPENSATION

Information concerning the compensation of our directors and executive officers and Compensation Committee Interlocks and Insider Participation is reported under the captions "Compensation Discussion and Analysis," and "Compensation Committee," respectively, in our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The disclosure set forth in Item 5, "Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities", of this report is incorporated herein.

Information concerning the beneficial ownership of the Company's Common Stock of (a) those persons known to the Company to be the beneficial owners of more than 5% of the Company's common stock; (b) each of the Company's directors and nominees for director; and (c) the Company's executive officers and all of the

Company's current directors and executive officers as a group is reported under the caption "Principal Stockholders and Security Ownership of Management" in our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions is reported under the caption "Certain Relationships and Related Transactions and Director Independence" in our 2016 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning our accountant fees and our Audit Committee's pre-approval of audit and permissible non-audit services of independent auditors is reported under the captions "Principal Accounting Firm Fees" and "Pre-Approval of Audit and Non-Audit Services," respectively, in our 2016 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form 10-K:

Report of Independent Registered Public Accounting Firm	72
Financial Statements:	
Consolidated Balance Sheets as of December 31, 2015 and 2014	73
Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013	74
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	75
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013	76
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	77
Notes to Consolidated Financial Statements	79
Financial Statement Schedule:	
Valuation and Qualifying Accounts for the years ended December 31, 2015, 2014 and 2013	113

Exhibits:

The Exhibits listed in the Index of Exhibits, which appears immediately following the signature page and is incorporated herein by reference, as filed as part of this Form 10-K.

SIGNATURES

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

MONSTER BEVERAGE CORPORATION

/s/ RODNEY C. SACKS	Rodney C. Sacks Chairman of the Board	Date: February 29, 2016

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)	February 29, 2016
/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)	February 29, 2016
/s/ NORMAN C. EPSTEIN Norman C. Epstein	Director	February 29, 2016
/s/ MARK J. HALL Mark J. Hall	Director	February 29, 2016
/s/ GARY P. FAYARD Gary P. Fayard	Director	February 29, 2016
/s/ BENJAMIN M. POLK Benjamin M. Polk	Director	February 29, 2016
/s/ SYDNEY SELATI Sydney Selati	Director	February 29, 2016
/s/ HAROLD C. TABER, JR. Harold C. Taber, Jr.	Director	February 29, 2016
/s/ MARK S. VIDERGAUZ Mark S. Vidergauz	Director	February 29, 2016
/s/ KATHY N WALLER Kathy N. Waller	Director	February 29, 2016

INDEX TO EXHIBITS

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

2.1	Transaction Agreement, dated as of August 14, 2014, by and among Monster Beverage Corporation, New Laser Corporation, New Laser Merger Corp, The Coca-Cola Company and European Refreshments (incorporated by reference to Exhibit 2.1 to our Form 8-K dated August 18, 2014).
2.2	Asset Transfer Agreement, dated as of August 14, 2014, by and among Monster Beverage Corporation, New Laser Corporation and The Coca-Cola Company Refreshments (incorporated by reference to Exhibit 2.2 to our Form 8-K dated August 18, 2014).
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to our Form 8-K dated June 18, 2015).
3.2	Second Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to our Form 8-K dated June 18, 2015).
10.1	Amended and Restated Distribution Coordination Agreement, dated as of June 12, 2015, between Monster Energy Company and The Coca-Cola Company (incorporated by reference to Exhibit 10.1 to our 10-Q dated August 10, 2015).
10.2	Amended and Restated International Distribution Coordination Agreement, dated as of June 12, 2015, between Monster Energy Ltd. and Monster Energy Company and The Coca-Cola Company (incorporated by reference to Exhibit 10.2 to our 10-Q dated August 10, 2015).
10.3+	Form of Amendment to Stock Option Agreement (relating to the amendment of certain stock option agreements between Hansen Natural Corporation and its executive officers and directors) (incorporated by reference to Exhibit 10.1 to our Form 8-K dated January 8, 2007).
10.4	Form of Indemnification Agreement (to be provided by Hansen Natural Corporation to its directors) (incorporated by reference to Exhibit 10.1 to our Form 8-K dated November 14, 2005).
10.5+	Stock Option Agreement between Hansen Natural Corporation and Harold Taber (made as of November 11, 2005) (incorporated by reference to Exhibit 10.42 to our Form 10-K dated March 15, 2006).
10.6+	Stock Option Agreement between Hansen Natural Corporation and Hilton H. Schlosberg (made as of November 11, 2005) (incorporated by reference to Exhibit 10.46 to our Form 10-K dated March 15, 2006).
10.7+	Stock Option Agreement between Hansen Natural Corporation and Rodney C. Sacks (made as of November 11, 2005) (incorporated by reference to Exhibit 10.47 to our Form 10-K dated March 15, 2006).
10.8+	Hansen Natural Corporation 2001 Amended and Restated Stock Option Plan (incorporated by reference to Exhibit A to our Proxy Statement dated September 25, 2007).
10.9	Business Loan Agreement between Hansen Beverage Company and Comerica Bank (incorporated by reference to Exhibit 10.1 to our Form 10-Q dated August 9, 2007).
10.10	Monster Energy International Distribution Agreement, dated October 3, 2008, between Tauranga Ltd, trading as Monster Energy, and Coca-Cola Enterprises Inc. (incorporated by reference to exhibit 10.5 to our Form 10-Q dated November 10, 2008).
10.11	Monster Energy Belgium Distribution Agreement, dated October 3, 2008, between Tauranga Ltd, trading as Monster Energy, and Coca-Cola Enterprises Inc. (incorporated by reference to Exhibit 10.6 to our Form 10-Q dated November 10, 2008).
10.12+	Stock Option Agreement between Hansen Natural Corporation and Rodney C. Sacks (made as of June 2, 2008) (incorporated by reference to Exhibit 10.44 to our Form 10-K dated March 1, 2010).
10.13A+	Amendment to Stock Option Agreement between Hansen Natural Corporation and Rodney C. Sacks (made as of August 2, 2008) (incorporated by reference to Exhibit 10.44A to our Form 10-K dated March 1, 2010).

10.14+	Stock Option Agreement between Hansen Natural Corporation and Hilton H. Schlosberg (made as of June 2, 2008) (incorporated by reference to Exhibit 10.45 to our Form 10-K dated March 1, 2010).
10.15A+	Amendment to Stock Option Agreement between Hansen Natural Corporation and Hilton H. Schlosberg (made as of August 2, 2008) (incorporated by reference to Exhibit 10.45A to our Form 10-K dated March 1, 2010).
10.16+	Stock Option Agreement between Hansen Natural Corporation and Thomas J. Kelly (made as of June 2, 2008) (incorporated by reference to Exhibit 10.47 to our Form 10-K dated March 1, 2010).
10.17+	2009 Hansen Natural Corporation Stock Incentive Plan for Non-Employee Directors (incorporated by reference to Exhibit A to our Proxy Statement dated April 24, 2009).
10.18+	Stock Option Agreement between Hansen Natural Corporation and Thomas J. Kelly (made as of June 1, 2009) (incorporated by reference to Exhibit 10.49 to our Form 10-K dated March 1, 2010).
10.19+	Stock Option Agreement between Hansen Natural Corporation and Rodney C. Sacks (made as of December 1, 2009) (incorporated by reference to Exhibit 10.51 to our Form 10-K dated March 1, 2010).
10.20+	Stock Option Agreement between Hansen Natural Corporation and Hilton H. Schlosberg (made as of December 1, 2009) (incorporated by reference to exhibit 10.52 to our Form 10-K dated March 1, 2010).
10.21+	Stock Option Agreement between Hansen Natural Corporation and Mark J. Hall (made as of December 1, 2009) (incorporated by reference to Exhibit 10.53 to our Form 10-K dated March 1, 2010).
10.22+	Stock Option Agreement between Hansen Natural Corporation and Thomas J. Kelly (made as of December 1, 2009) (incorporated by reference to Exhibit 10.55 to our Form 10-K dated March 1, 2010).
10.23+	Stock Option Agreement between Hansen Natural Corporation and Thomas J. Kelly (made as of December 1, 2010) (incorporated by reference to Exhibit 10.53 to our Form 10-K dated March 1, 2011).
10.24+	Stock Option Agreement between Hansen Natural Corporation and Mark J. Hall (made as of December 1, 2010) (incorporated by reference to Exhibit 10.54 to our Form 10-K dated March 1, 2011).
10.25+	Form of Restricted Stock Unit Agreement pursuant to the 2009 Hansen Natural Corporation Stock Incentive Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.55 to our Form 10-K dated March 1, 2011).
10.26+	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 to our Form 10-Q dated August 9, 2011).
10.27+	Monster Beverage Corporation 2011 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to our Form 8-K dated May 24, 2011).
10.28+	Agreement between the Company and Mark Hall, dated March 12, 2015 (incorporated by reference to Exhibit 10.1 to our Form 10-Q dated May 11, 2015).
10.29+	Employment Agreement between Monster Beverage Corporation and Rodney C. Sacks (incorporated by reference to Exhibit 10.1 to our Form 8-K dated March 19, 2014).
10.30+	Employment Agreement between Monster Beverage Corporation and Hilton H. Schlosberg (incorporated by reference to Exhibit 10.2 to our Form 8-K dated March 19, 2014).
21*	Subsidiaries
23*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification by CEO pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2*	Certification by CFO pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1*	Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2*	Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

101*	The following materials from Monster Beverage Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2015 and 2014, (ii) the Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (vi) the Notes to Consolidated Financial Statements.

[*] Filed herewith.

[+] Management contract or compensatory plans or arrangements.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Monster Beverage Corporation
Corona, California

We have audited the accompanying consolidated balance sheets of Monster Beverage Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Monster Beverage Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2016, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
February 29, 2016

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND 2014 (In Thousands, Except Par Value)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,175,417	$ 370,323
Short-term investments	744,610	781,134
Accounts receivable, net	352,955	280,755
TCCC Transaction receivable	125,000	-
Inventories	156,121	174,573
Prepaid expenses and other current assets	26,967	19,673
Intangibles held-for-sale, net	-	18,079
Prepaid income taxes	1,532	8,617
Total current assets	3,582,602	1,653,154
INVESTMENTS	15,348	42,940
PROPERTY AND EQUIPMENT, net	97,354	90,156
DEFERRED INCOME TAXES	261,310	94,381
GOODWILL	1,279,715	-
OTHER INTANGIBLE ASSETS, net	427,986	50,748
OTHER ASSETS	10,874	7,496
Total Assets	$ 5,675,189	$ 1,938,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 144,763	$ 127,641
Accrued liabilities	81,786	40,271
Accrued promotional allowances	115,530	114,047
Accrued distributor terminations	11,018	-
Deferred revenue	32,271	49,926
Accrued compensation	22,159	17,983
Income taxes payable	106,662	5,848
Total current liabilities	514,189	355,716
DEFERRED REVENUE	351,590	68,009
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY:		
Common stock - $0.005 par value; 240,000 shares authorized; 207,019 shares issued and 202,900 shares outstanding as of December 31, 2015; 207,004 shares issued and 167,722 shares outstanding as of December 31, 2014	1,035	1,035
Additional paid-in capital	3,991,857	426,145
Retained earnings	1,394,863	2,330,510
Accumulated other comprehensive loss	(21,878)	(11,453)
Common stock in treasury, at cost; 4,119 shares and 39,282 shares as of December 31, 2015 and 2014, respectively	(556,467)	(1,231,087)
Total stockholders' equity	4,809,410	1,515,150
Total Liabilities and Stockholders' Equity	$ 5,675,189	$ 1,938,875

See accompanying notes to consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Thousands, Except Per Share Amounts)

	2015	2014	2013
NET SALES	$ 2,722,564	$ 2,464,867	$ 2,246,428
COST OF SALES	1,090,263	1,125,057	1,073,497
GROSS PROFIT	1,632,301	1,339,810	1,172,931
OPERATING EXPENSES	900,118	592,305	600,015
GAIN ON SALE OF MONSTER NON-ENERGY (NOTE 2)	161,470	-	-
OPERATING INCOME	893,653	747,505	572,916
OTHER EXPENSE, NET	(2,105)	(1,717)	(9,022)
INCOME BEFORE PROVISION FOR INCOME TAXES	891,548	745,788	563,894
PROVISION FOR INCOME TAXES	344,815	262,603	225,233
NET INCOME	$ 546,733	$ 483,185	$ 338,661
NET INCOME PER COMMON SHARE:			
Basic	$ 2.90	$ 2.89	$ 2.03
Diluted	$ 2.84	$ 2.77	$ 1.95
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK EQUIVALENTS:			
Basic	188,816	167,257	166,679
Diluted	192,586	174,285	173,387

See accompanying notes to consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013 (In Thousands)

	2015	2014	2013
Net income, as reported	$ 546,733	$ 483,185	$ 338,661
Other comprehensive (loss) income:			
Change in foreign currency translation adjustment, net of tax	(10,425)	(10,220)	(1,782)
Available-for-sale investments:			
Change in net unrealized gains	-	-	-
Reclassification adjustment for net gains included in net income	-	-	(1,525)
Net change in available-for-sale investments	-	-	(1,525)
Other comprehensive (loss) income	(10,425)	(10,220)	(3,307)
Comprehensive income	$ 536,308	$ 472,965	$ 335,354

See accompanying notes to consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013 (In Thousands)

	Common stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, January 1, 2013	203,759	$ 1,019	$ 287,953	$ 1,508,664	$ 2,074	(37,983)	$ (1,155,313)	$ 644,397
Stock-based compensation	-	-	28,528	-	-	-	-	28,528
Exercise of stock options	2,255	11	21,240	-	-	-	-	21,251
Excess tax benefits from share based payment arrangements	-	-	30,348	-	-	-	-	30,348
Repurchase of common stock	-	-	-	-	-	(1,209)	(67,599)	(67,599)
Foreign currency translation	-	-	-	-	(1,782)	-	-	(1,782)
Reclassification adjustment for net gains included in net income	-	-	-	-	(1,525)	-	-	(1,525)
Net income	-	-	-	338,661	-	-	-	338,661
Balance, December 31, 2013	206,014	$ 1,030	$ 368,069	$ 1,847,325	$ (1,233)	(39,192)	$ (1,222,912)	$ 992,279
Stock-based compensation	-	-	28,989	-	-	-	-	28,989
Exercise of stock options	990	5	17,163	-	-	-	-	17,168
Excess tax benefits from share based payment arrangements	-	-	11,924	-	-	-	-	11,924
Repurchase of common stock	-	-	-	-	-	(90)	(8,175)	(8,175)
Foreign currency translation	-	-	-	-	(10,220)	-	-	(10,220)
Net income	-	-	-	483,185	-	-	-	483,185
Balance, December 31, 2014	207,004	$ 1,035	$ 426,145	$ 2,330,510	$ (11,453)	(39,282)	$ (1,231,087)	$ 1,515,150
Stock-based compensation	-	-	32,719	-	-	-	-	32,719
Exercise of stock options	7,425	37	49,291	-	-	-	-	49,328
Issuance of common stock	34,041	170	3,168,965	-	-	-	-	3,169,135
Excess tax benefits from share based payment arrangements	-	-	314,737	-	-	-	-	314,737
Repurchase of common stock	-	-	-	-	-	(6,288)	(807,967)	(807,967)
Cancellation of treasury stock	(41,451)	(207)	-	(1,482,380)	-	41,451	1,482,587	-
Foreign currency translation	-	-	-	-	(10,425)	-	-	(10,425)
Net income	-	-	-	546,733	-	-	-	546,733
Balance, December 31, 2015	207,019	$ 1,035	$ 3,991,857	$ 1,394,863	$ (21,878)	(4,119)	$ (556,467)	$ 4,809,410

See accompanying notes to consolidated financial statements.

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013 (In Thousands)

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 546,733	$ 483,185	$ 338,661
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,860	25,651	22,762
(Gain) loss on disposal of property and equipment	193	(408)	506
Gain on sale of Monster Non-Energy	(161,470)	-	-
Stock-based compensation	32,719	28,552	28,764
Loss on put option	250	842	838
Gain on investments, net	(250)	(801)	(3,553)
Deferred income taxes	(302,424)	(9,846)	(7,074)
Excess tax benefit from stock-based compensation	(314,737)	(11,924)	(30,348)
Effect on cash of changes in operating assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	(77,331)	(14,290)	(42,901)
Distributor receivables	600	4,580	(7,382)
Inventories	(7,068)	42,763	(21,552)
Prepaid expenses and other current assets	(9,713)	888	(4,501)
Prepaid income taxes	5,921	157	24,008
Accounts payable	20,864	11,282	(8,204)
Accrued liabilities	43,312	3,019	2,265
Accrued promotional allowances	7,009	20,530	8,932
Accrued distributor terminations	11,196	(2,338)	1,552
Accrued compensation	4,507	3,394	1,970
Income taxes payable	415,446	8,438	34,308
Deferred revenue	(38,631)	(8,107)	2,982
Net cash provided by operating activities	207,986	585,567	342,033
CASH FLOWS FROM INVESTING ACTIVITIES:			
Maturities of held-to-maturity investments	2,089,788	710,294	256,843
Sales of available-for-sale investments	4,001	-	5,793
Sales of trading investments	4,160	13,075	2,250
Proceeds from the transfer of distribution rights to TCCC	179,658	-	-
Proceeds from the sale of Monster Non-Energy	198,008	-	-
Proceeds from sale of property and equipment	926	963	9,022
Purchases of held-to-maturity investments	(2,033,584)	(1,130,601)	(557,419)
Purchases of available-for-sale investments	-	(4,001)	-
Purchases of property and equipment	(35,605)	(27,952)	(40,762)
Additions to intangibles	(6,888)	(3,411)	(11,175)
(Increase) decrease in other assets	(398)	1,230	(4,360)
Net cash provided by (used in) investing activities	400,066	(440,403)	(339,808)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(1,083)	(1,619)	(1,887)
Excess tax benefit from stock-based compensation	314,737	11,924	30,348
Issuance of common stock	1,696,661	17,168	21,252
Purchases of common stock held in treasury	(807,967)	(8,175)	(67,599)
Net cash provided by (used in) financing activities	1,202,348	19,298	(17,886)
Effect of exchange rate changes on cash and cash equivalents	(5,306)	(5,488)	4,496
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,805,094	158,974	(11,165)
CASH AND CASH EQUIVALENTS, beginning of year	370,323	211,349	222,514
CASH AND CASH EQUIVALENTS, end of year	$ 2,175,417	$ 370,323	$ 211,349
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for:			
Interest	$ 29	$ 34	$ 49
Income taxes	$ 224,928	$ 267,251	$ 174,278

See accompanying notes to consolidated financial statements.

SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS:

During the years ended December 31, 2015, 2014 and 2013, the Company entered into capital leases of $1.5 million, $0.8 million and $2.6 million, respectively, for the acquisition of promotional vehicles.

Included in accounts payable was equipment purchased of $0.6 million, $0.7 million and $0.1 million as of December 31, 2015, 2014 and 2013, respectively.

During the year ended December 31, 2015, the Company issued 11.8 million shares of the Company's common stock in exchange for KO Energy (see Note 2).

During the year ended December 31, 2015, in connection with the TCCC Transaction (as defined in Note 2), $125.0 million relating to the transfer of certain distribution rights was deposited into and remains in escrow pending certain transition milestones (see Note 2).

During the year ended December 31, 2015, the Company cancelled 41.5 million shares of treasury stock (see Note 13). Amounts previously recorded as treasury stock were netted against common stock and retained earnings.

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Monster Beverage 1990 Corporation (formerly Monster Beverage Corporation) ("Old Monster") was incorporated in Delaware on April 25, 1990. As a result of the TCCC Transaction (as defined and described in Note 2 below), Old Monster effected a holding company reorganization on June 12, 2015, pursuant to which it became a wholly owned subsidiary of New Laser Corporation, which then changed its name to "Monster Beverage Corporation". Monster Beverage Corporation (the "Company") is a holding company and has no operating business except through its consolidated subsidiaries.

Nature of Operations – The Company develops, markets, sells and distributes energy drink beverages and/or concentrates for energy drink beverages, primarily under the following brand names: Monster Energy®, Monster Rehab®, Monster Energy Extra Strength Nitrous Technology®, Java Monster®, Muscle Monster®, Mega Monster Energy®, Punch Monster®, Juice Monster®, M3®, Ubermonster®, BU®, Nalu®, NOS®, Full Throttle®, Burn®, Mother®, Ultra®, Play® and Power Play®, Gladiator®, Relentless®, Samurai® and BPM. Through June 12, 2015, the Company also developed, marketed, sold and distributed "alternative" beverage category beverages under the following brand names: Peace Tea®, Hansen's®, Hansen's Natural Cane Soda®, Junior Juice®, Blue Sky® and Hubert's®. These brands were transferred to The Coca-Cola Company ("TCCC") as part of the TCCC Transaction (as defined and described in Note 2 below).

Basis of Presentation – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its consolidated subsidiaries.

Principles of Consolidation – The Company consolidates all entities that it controls by ownership of a majority voting interest. All intercompany balances and transactions have been eliminated in consolidation.

Business Combinations – Business acquisitions are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations". ASC 805 requires the reporting entity to identify the acquirer, determine the acquisition date, recognize and measure the identifiable tangible and intangible assets acquired, the liabilities assumed and any non-controlling interest in the acquired entity, and recognize and measure goodwill or a gain from the purchase. The acquiree's results are included in the Company's consolidated financial statements from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over the amounts assigned is recorded as goodwill. Adjustments to fair value assessments are recorded to goodwill over the measurement period (not longer than twelve months). The acquisition method also requires that acquisition-related transaction and post-acquisition restructuring costs be charged to expense and requires the Company to recognize and measure certain assets and liabilities including those arising from contingencies and contingent consideration in a business combination.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less from date of purchase to be cash equivalents. Throughout the year, the Company has had amounts on deposit at financial institutions that exceed the federally insured limits. The Company has not experienced any loss as a result of these deposits and does not expect to incur any losses in the future.

Investments – The Company's investments in debt securities are classified as either held-to-maturity, available-for-sale or trading, in accordance with ASC 320. Held-to-maturity securities are those securities that the Company has the positive intent and ability to hold until maturity. Trading securities are those securities that the Company intends to sell in the near term. All other securities not included in the held-to-maturity or trading category are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost which approximates fair market value. Trading securities are carried at fair value with unrealized gains and losses charged to earnings. Available-for-sale securities are carried at fair value with unrealized gains and losses

recorded within accumulated other comprehensive loss as a separate component of stockholders' equity. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available (see Note 4). Under ASC 320-10-35, a security is considered to be other-than-temporarily impaired if the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference being defined as the "Credit Loss") or if the fair value of the security is less than the security's amortized cost basis and the investor intends, or will be required, to sell the security before recovery of the security's amortized cost basis. If an other-than-temporary impairment exists, the charge to earnings is limited to the amount of Credit Loss if the investor does not intend to sell the security, and will not be required to sell the security, before recovery of the security's amortized cost basis. Any remaining difference between fair value and amortized cost is recognized in other comprehensive loss, net of applicable taxes. The Company evaluates whether the decline in fair value of its investments is other-than-temporary at each quarter-end. This evaluation consists of a review by management, and includes market pricing information and maturity dates for the securities held, market and economic trends in the industry and information on the issuer's financial condition and, if applicable, information on the guarantors' financial condition. Factors considered in determining whether a loss is temporary include the length of time and extent to which the investment's fair value has been less than its cost basis, the financial condition and near-term prospects of the issuer and guarantors, including any specific events which may influence the operations of the issuer and our intent and ability to retain the investment for a reasonable period of time sufficient to allow for any anticipated recovery of fair value.

Accounts Receivable – The Company evaluates the collectability of its trade accounts receivable based on a number of factors. In circumstances where the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount the Company believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent loss history and an overall assessment of past due trade accounts receivable outstanding. In accordance with ASC 210-20-45, in its consolidated balance sheets, the Company has presented accounts receivable, net of promotional allowances, only for those customers that it allows net settlement. All other accounts receivable and related promotional allowances are shown on a gross basis.

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

Property and Equipment – Property and equipment are stated at cost. Depreciation of furniture and fixtures, office and computer equipment, computer software, 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. Normal repairs and maintenance costs are expensed as incurred. Expenditures that materially increase values or extend useful lives are capitalized. The related costs and accumulated depreciation of disposed assets are eliminated and any resulting gain or loss on disposition is included in net income.

Goodwill – The Company records goodwill when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired, including related tax effects. Goodwill is not amortized; instead goodwill is tested for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If the Company determines that the fair value is less than the carrying value, the Company will use a two-step process to determine the amount of goodwill impairment. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. A potential impairment exists if the fair value of the reporting unit is lower than its net book

value. The second step of the process, performed only if a potential impairment exists, involves determining the difference between the fair value of the reporting unit's net assets, other than goodwill, and the fair value of the reporting unit. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.

Other Intangibles – Other Intangibles are comprised primarily of trademarks that represent the Company's exclusive ownership of the Monster Energy®, ®, Monster Rehab®, Java Monster®, Unleash the Beast®, Monster Energy Extra Strength Nitrous Technology®, Muscle Monster®, Mega Monster Energy®, Punch Monster®, Juice Monster®, M3®, Ubermonster®, BU®, Nalu®, NOS®, Full Throttle®, Burn®, Mother®, Ultra®, Play® and Power Play®, Gladiator®, Relentless®, Samurai® and BPM® trademarks, all used in connection with the manufacture, sale and distribution of beverages. 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. In accordance with ASC 350, intangible assets with indefinite lives are not amortized but instead are measured for impairment at least annually, or when events indicate that an impairment exists. The Company calculates impairment as the excess of the carrying value of its indefinite-lived assets over their estimated fair value. If the carrying value exceeds the estimate of fair value a write-down is recorded. The Company amortizes its trademarks with finite useful lives over their respective useful lives. For the fiscal years ended December 31, 2015, 2014 and 2013, there were no impairments recorded.

Long-Lived Assets – Management regularly reviews property and equipment and other long-lived assets, including certain definite-lived intangible assets, 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, management then 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 using the present value of the future cash flows discounted at a rate commensurate with management's estimates of the business risks. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. For the fiscal years ended December 31, 2015, 2014 and 2013, there were no impairment indicators identified. Long-lived assets held for sale are recorded at the lower of their carrying amount or fair value less cost to sell.

Foreign Currency Translation and Transactions – The accounts of the Company's foreign subsidiaries are translated in accordance with ASC 830. Foreign currency transaction gains and losses are recognized in other expense, net, at the time they occur. Net foreign currency exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries whose functional currency is not the U.S. dollar are recorded as a part of accumulated other comprehensive loss in stockholders' equity. Unrealized foreign currency exchange gains and losses on certain intercompany transactions that are of a long-term investment nature (i.e., settlement is not planned or anticipated in the foreseeable future) are also recorded in accumulated other comprehensive loss in stockholders' equity. During the years ended December 31, 2015 and 2014, the Company entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries non-functional currency denominated assets and liabilities. All foreign currency exchange contracts outstanding as of December 31, 2015 have terms of one month or less. We do not enter into forward currency exchange contracts for speculation or trading purposes.

The Company has not designated its foreign currency exchange contracts as hedge transactions under ASC 815. Therefore, gains and losses on the Company's foreign currency exchange contracts are recognized in other expense, net, in the consolidated statements of income, and are largely offset by the changes in the fair value of the underlying economically hedged item. For the years ended December 31, 2015, 2014 and 2013, aggregate foreign currency transaction losses, including the gains or losses on forward currency exchange contracts,

amounted to $5.5 million, $3.4 million and $12.9 million, respectively, and have been recorded in other expense, net in the accompanying consolidated statements of income.

Revenue Recognition – The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Generally, ownership of and title to the Company's finished products passes to customers upon delivery of the products to customers. Certain of the Company's distributors may also perform a separate function as a co-packer on the Company's behalf. In such cases, ownership of and title to the Company's products that are co-packed on the Company's behalf by those co-packers who are also distributors, passes to such distributors when the Company is notified by them that they have taken transfer or possession of the relevant portion of the Company's finished goods.

Revenue for the Concentrate Segment is generally recognized when title to the concentrate is transferred to the customer. In particular, title to the concentrate usually passes upon shipment to the customers' locations, as determined by the specific sales terms of the transactions.

Net sales have been determined after deduction of promotional and other allowances in accordance with ASC 605-50. The Company's promotional and other allowances are calculated based on various programs with its distributors and retail customers, and accruals are established during the year for the anticipated liabilities. These accruals are based on agreed upon terms as well as the Company's historical experience with similar programs and require management's judgment with respect to estimating consumer participation and/or distributor and retail customer performance levels. Differences between such estimated expense and actual expenses for promotional and other allowance costs have historically been insignificant and are recognized in earnings in the period such differences are determined. Amounts received pursuant to new and/or amended distribution agreements entered into with certain distributors, relating to the costs associated with terminating the Company's prior distributors, are accounted for as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years.

Management believes that adequate provision has been made for cash discounts, returns and spoilage based on the Company's historical experience.

Cost of Sales – Cost of sales consists of the costs of concentrates and/or beverage bases, the costs of raw materials utilized in the manufacture of products, co-packing fees, repacking fees, in-bound freight charges, as well as certain internal transfer costs, warehouse expenses incurred prior to the manufacture of the Company's finished products and certain quality control costs. Raw materials account for the largest portion of the cost of sales. Raw materials include cans, bottles, other containers, flavors, ingredients and packaging materials.

Operating Expenses – Operating expenses include selling expenses such as distribution expenses to transport products to customers and warehousing expenses after manufacture, as well as expenses for advertising, sampling and in-store demonstration costs, costs for merchandise displays, point-of-sale materials and premium items, sponsorship expenses, other marketing expenses and design expenses. Operating expenses also include such costs as payroll costs, travel costs, professional service fees including legal fees, termination payments made to certain of the Company's prior distributors, depreciation and other general and administrative costs.

Freight-Out Costs – For the years ended December 31, 2015, 2014 and 2013, freight-out costs amounted to $87.0 million, $92.7 million and $84.0 million, respectively, and have been recorded in operating expenses in the accompanying consolidated statements of income.

Advertising and Promotional Expenses – The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. A significant amount of the

Company's promotional expenses result from payments under endorsement and sponsorship contracts. Accounting for endorsement and sponsorship payments is based upon specific contract provisions. Generally, endorsement and sponsorship payments are expensed on a straight-line basis over the term of the contract after giving recognition to periodic performance compliance provisions of the contracts. Advertising and promotional expenses, including but not limited to production costs, amounted to $209.7 million, $171.5 million and $181.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Advertising and promotional expenses are included in operating expenses in the accompanying consolidated statements of income.

Income Taxes – The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances the Company considers projected future taxable income and the availability of tax planning strategies. If in the future the Company determines that it would not be able to realize its recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Stock-Based Compensation – The Company accounts for stock-based compensation under the provisions of ASC 718. The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton option pricing formula. The Company records compensation expense for non-employee stock options based on the estimated fair value of the options as of the earlier of (1) the date at which a commitment for performance by the non-employee to earn the stock option is reached or (2) the date at which the non-employee's performance is complete, using the Black-Scholes-Merton option pricing formula. Stock-based compensation cost for restricted stock awards and restricted stock units is measured based on the closing fair market value of the Company's common stock at the date of grant. In the event that the Company has the option and intent to settle a restricted stock unit in cash, the award is classified as a liability and revalued at each balance sheet date. (See Note 14).

Net Income Per Common Share – In accordance with ASC 260, 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 during each period. Diluted net income per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding. The calculation of common equivalent shares assumes the exercise of dilutive stock options, net of assumed treasury share repurchases at average market prices, as applicable.

Concentration of 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.

TCCC, through certain wholly-owned subsidiaries (the "TCCC Subsidiaries"), accounted for approximately 42%, 29% and 29% of the Company's net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

Credit Risk – The Company sells its products nationally and internationally, primarily to full service beverage distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors and food service customers. 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 – The carrying value of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the relatively short maturity of the respective instruments.

Use of Estimates – The preparation of the consolidated financial statements in conformity with GAAP 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.

Recent Accounting Pronouncements – In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes". The amendments under the new guidance require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Company adopted the standards update effective December 31, 2015, electing to apply it retrospectively to all periods presented. As a result, current assets in the consolidated balance sheet as of December 31, 2014 were reduced by $40.3 million.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory". ASU 2015-11 requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for annual periods, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU 2015-11 is not expected to have a material impact on the Company's financial position, results of operations or liquidity.

In September 2014, the Company elected to early adopt FASB ASU No. 2014-08, "Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". ASU 2014-08 provides new guidance related to the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The adoption of ASU 2014-08 did not have a material impact on the Company's financial position, results of operations or liquidity.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)". ASU 2014-12 clarifies that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved

and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ASU 2014-12 is effective for annual periods, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. ASU 2014-12 may be applied either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's financial position, results of operations or liquidity.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which supersedes previous revenue recognition guidance. ASU 2014-09 requires that a company recognize revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. In applying the new guidance, a company will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 was to be effective for reporting periods beginning after December 15, 2016. However, on July 9, 2015, the FASB voted to approve a one-year deferral of the effective date. This new guidance is effective for the Company beginning January 1, 2018 and can be adopted using either a full retrospective or modified approach. The Company is currently evaluating the impact of ASU 2014-09 on its financial position, results of operations and liquidity.

2. ACQUISITIONS AND DIVESTITURES

On June 12, 2015, Old Monster completed the transactions contemplated by the definitive agreements entered into with TCCC on August 14, 2014, which provided for a long-term strategic relationship in the global energy drink category (the "TCCC Transaction").

Also, on June 12, 2015, Old Monster effected a holding company reorganization in connection with the TCCC Transaction by merging New Laser Merger Corp., a wholly owned subsidiary of the Company, into Old Monster, with Old Monster surviving as a wholly owned subsidiary of the Company (the "Holding Company Reorganization"), and the Company changed its name from New Laser Corporation to "Monster Beverage Corporation."

In the Holding Company Reorganization, each Old Monster common share, par value $0.005 per share, outstanding immediately prior to the consummation of the Holding Company Reorganization (other than any Old Monster common shares that were owned by Old Monster immediately prior to the closing of the TCCC Transaction, which were cancelled (see Note 13)), was converted automatically into the right to receive one Company common share, par value $0.005 per share. In addition, upon consummation of the Holding Company Reorganization:

- each unexercised and unexpired stock option then outstanding under any equity compensation plan of Old Monster, whether or not then exercisable, ceased to represent a right to acquire Old Monster common shares and was converted automatically into a right to acquire the same number of Company common shares, on the same terms and conditions as were applicable under such Old Monster stock option; and

- each share of restricted stock and each restricted stock unit of Old Monster granted under all outstanding equity compensation plans ceased to represent or relate to Old Monster common shares and was converted automatically to represent or relate to Company common shares, on the same terms and conditions as were applicable to such Old Monster restricted stock and restricted stock units (including the vesting or other lapse restrictions (without acceleration thereof by virtue of the Holding Company Reorganization and the TCCC Transaction)).

Promptly following the effective time of the Holding Company Reorganization, Old Monster assigned to the Company all obligations of Old Monster under Old Monster's equity compensation plans and each stock option agreement, restricted stock award agreement, restricted stock unit award agreement and any similar agreement entered into pursuant to such equity compensation plans. In addition, all obligations of Old Monster under any employment agreements and indemnification agreements were assigned to the Company.

Immediately after the effective time of the Holding Company Reorganization, (1) the Company issued to TCCC 34,040,534 newly issued Company common shares representing approximately 16.7% of the total number of outstanding Company common shares (after giving effect to such issuance) (the "New Issuance") and TCCC appointed two individuals to the Company's Board of Directors, (2) TCCC transferred all of its rights in and to TCCC's worldwide energy drink business ("KO Energy") to the Company, (3) Old Monster transferred all of its rights in and to its non-energy drink business ("Monster Non-Energy") to TCCC, (4) the Company and TCCC amended the distribution coordination agreements previously existing between them to govern the transition of third parties' rights to distribute the Company's energy products in most territories in the U.S. to members of TCCC's distribution network, which consists of owned or controlled bottlers/distributors and independent bottlers/distributors, and (5) TCCC and one of its subsidiaries made an aggregate net cash payment to the Company of $2.15 billion, $125.0 million of which is currently held in escrow as described below, pursuant to an escrow agreement (the "Escrow Agreement"), subject to release upon the achievement of milestones relating to the transition of distribution rights to TCCC's distribution network.

Under the terms of the Escrow Agreement and the transition payment agreement entered into in connection therewith, if the distribution rights in the U.S. that are transitioned to TCCC's distribution network represent case sales in excess of the following percentages of a target case sale amount agreed to by the parties, amounts in the escrow fund in excess of the applicable amounts below will be released to the Company:

Percentage Transitioned	Escrow Release
40%	Amounts in excess of $375 million
50%	Amounts in excess of $312.5 million
60%	Amounts in excess of $250 million
70%	Amounts in excess of $187.5 million
80%	Amounts in excess of $125 million
90%	Amounts in excess of $62.5 million
95%	All remaining amounts

On the one-year anniversary of the closing of the TCCC Transaction, the then-remaining escrow amount, less an amount sufficient to cover any unresolved claims, will be released to TCCC. Any amount described above that becomes payable following the one-year anniversary will be paid directly from TCCC to the Company.

TCCC is contractually obligated to authorize payment to the Company of the funds in escrow upon achievement of the milestones referred to above. As of February 29, 2016, distribution rights in the U.S. representing approximately 89% of the target case sales have been transitioned to TCCC's distribution network. As a result, $125 million is currently held in escrow. The Company expects to commence steps to transition sufficient additional distribution rights, which will, in due course, result in the release of all remaining amounts held in escrow. Therefore, the Company believes that achievement of the milestones is probable.

The following table summarizes the final TCCC Transaction consideration allocation as of December 31, 2015:

	Identifiable Assets Acquired and Liabilities Assumed	Consideration Transferred
Equity issued to TCCC for cash (22.2 million shares issued)	$ -	$ 1,647,333
Equity issued to TCCC for KO Energy (11.8 million shares issued)	-	1,521,802
KO Energy intangibles - trademarks (non-amortizing)	325,500	-
KO Energy intangibles - customer relationships (amortizing)	35,000	-
KO Energy intangibles - other (non-amortizing)	13,700	-
KO Energy inventories	6,144	-
KO Energy accounts payable	(2,758)	-
Goodwill	1,279,715	-
Deferred tax liability	(135,499)	-
New and amended U.S. distribution rights transferred to TCCC's distribution network	-	304,658
Monster Non-Energy business transferred to TCCC	-	198,009
Cash and escrow receivable	2,150,000	-
Total	$ 3,671,802	$ 3,671,802

During the fourth quarter of 2015, we identified a measurement period adjustment to the Company's previous purchase accounting estimates for the TCCC Transaction. The adjustment to the estimated values resulted from an updated assessment of the tax basis of certain KO Energy intangible assets acquired. As a result, both goodwill and the deferred tax liability were decreased by $8.1 million in the December 31, 2015 balances in the above table.

The Company has determined goodwill in accordance with ASC 805-30-30-1, "Business Combinations," which requires the recognition of goodwill for the excess of the aggregate consideration over the net amounts of identifiable assets acquired and liabilities assumed as of the acquisition date.

The goodwill recorded as part of the TCCC Transaction is not deductible for tax purposes. The goodwill includes access to new geographies, access to new sales channels, including vending and specialty accounts, as well as the opportunity for supply chain optimization.

The Company determined the estimated fair values of KO Energy trademarks, customer relationships and other intangibles as follows:

1. Trademarks—valued using the relief from royalty method. Royalty rates for the different brands were selected based on brand strength and profitability.

2. Customer relationships—valued using the with- and-without method assuming that the customer relationships could be rebuilt over a one-year period.

3. Other (Trade Secrets/Formulas)—valued using the cost savings method.

The Company determined the estimated fair value of the "new and amended U.S. distribution rights" transferred to TCCC's distribution network using the discounted cash flow method. The cash flows were defined as the expected cost savings arising from the new distribution agreements.

The Company determined the estimated fair value of the Monster Non-Energy brands sold utilizing the discounted cash flow method and market multiple method. Market multiples for each brand were selected based on profitability, size and expected growth for each brand. The resulting business enterprise value derived under the income and market approaches was then adjusted for working capital and fixed assets that were not transferred to TCCC.

Of the approximately 34.0 million shares of the Company's common stock issued to TCCC in the TCCC Transaction, approximately 11.8 million shares, or 34.8% of the total shares issued, were allocated to the purchase of KO Energy and approximately 22.2 million shares, or 65.2% of the total shares issued, were issued for cash. The 34.8% allocation was based on the relative fair value of KO Energy to the approximate fair value of the 34.0 million shares of Old Monster's common stock on August 14, 2014. The remaining shares of the Company's common stock were deemed to be issued for cash. The $2.15 billion of cash and escrow receivable was first allocated to the new and amended U.S. distribution rights and the Monster Non-Energy business based on their respective preliminary fair values, and the residual cash of $1.6 billion was then allocated to the equity issued for cash. On August 14, 2014, the date on which the terms of the TCCC Transaction were agreed to and announced, the closing market price of Old Monster's common stock was $71.65 per share. The fair value of KO Energy per ASC 820 is approximately $880.1 million, which approximates the negotiated price for KO Energy based on the closing market price of Old Monster's common stock on August 14, 2014. However, per ASC 805, equity securities issued as consideration in a business combination are to be recorded at fair value as of the closing date. Therefore, the value of the Company's common stock issued to TCCC in exchange for KO Energy was $128.39 per share, the closing price of the Company's common stock on June 12, 2015, resulting in a total consideration value transferred for KO Energy of $1.5 billion.

The Company recognized a gain of $161.5 million on the disposal of Monster Non-Energy during the second quarter of 2015.

The following unaudited pro forma condensed combined financial information is presented as if the TCCC Transaction had closed on January 1, 2013:

	Year Ended December 31, 2015				
			Pro Forma Adjustments		
	Monster Beverage Corporation as reported[1]	KO Energy[2]	Disposal of Monster Non-Energy[3]	Other	Pro Forma Combined
Net sales	$ 2,722,564	$ 138,127	$ (60,778)	$ 8,887	$ 2,808,800
Net income	546,733	100,575 [4]	(101,618)	(30,390)	515,300

	Year Ended December 31, 2014				
			Pro Forma Adjustments		
	Monster Beverage Corporation as reported	KO Energy	Disposal of Monster Non-Energy	Other	Pro Forma Combined
Net sales	$ 2,464,867	$ 342,432	$ (150,374)	$ 19,900	$ 2,676,825
Net income	483,185	218,456 [4]	(4,647)	(95,306)	601,688

	Year Ended December 31, 2013				
			Pro Forma Adjustments		
	Monster Beverage Corporation as reported	KO Energy	Disposal of Monster Non-Energy	Other	Pro Forma Combined
Net sales	$ 2,246,428	$ 330,076	$ (152,041)	$ 19,900	$ 2,444,363
Net income	338,661	183,763 [4]	1,922	(85,551)	438,795

[1]Includes net sales of $143.3 million and net income of $55.2 million (tax affected) related to the acquired KO Energy assets since the date of acquisition, June 12, 2015.

[2]Includes results through June 12, 2015, the date the TCCC Transaction was finalized. Net income for KO Energy includes only net revenues and direct operating expenses, rather than full "carve-out" financial statements, because such financial information would not be meaningful given that it is not possible to provide a meaningful allocation of business unit and corporate costs, interest or tax in respect of KO Energy.

[3]Includes results through June 12, 2015. Net income includes gain recognized on the sale of Monster Non-Energy of $161.5 million.

[4]The $100.6 million, $218.5 million and $183.8 million of net income for KO Energy for the years ended December 31, 2015, 2014 and 2013, respectively, are presented before tax. The associated estimated provision for income taxes is included in the "Other" category.

Pro-Forma Adjustments – Other include the following:

	Year Ended December 31, 2015[1]	Year Ended December 31, 2014	Year Ended December 31, 2013
Net sales:			
Amortization of deferred revenue	$ 8,887	$ 19,900	$ 19,900
Net income:			
Amortization of deferred revenue	$ 8,887	$ 19,900	$ 19,900
To record sales commissions	(15,470)	(38,352)	(36,969)
To record amortization of definite lived KO Energy intangibles	(3,126)	(7,000)	(7,000)
To eliminate TCCC Transaction expenses	15,495	4,824	-
Estimated provision for income taxes on pro forma adjustments	2,545	9,428	9,267
Estimated provision for income taxes on KO Energy income	(38,721)	(84,106)	(70,749)
Total	$ (30,390)	$ (95,306)	$ (85,551)

[1]Includes amortization of deferred revenue, sales commissions and amortization of intangibles through June 12, 2015, the date the TCCC Transaction was consummated.

For purposes of the unaudited pro forma financial information, a combined U.S. Federal and state statutory tax rate of 38.5% has been used. This rate does not reflect the Company's expected effective tax rate, which includes other tax charges and benefits, and does not take into account any historical or possible future tax events that may impact the combined company.

The unaudited pro forma financial information is presented for information purposes only and is not intended to represent or be indicative of the combined results of operations that the Company would have reported

had the TCCC Transaction been completed as of the date and for the periods presented, and should not be taken as representative of the Company's consolidated results of operations following the completion of the TCCC Transaction. In addition, the unaudited pro forma financial information is not intended to project the future financial results of operations of the combined company. The unaudited pro forma combined financial information does not reflect any cost savings, operational synergies or revenue enhancements that the combined company may achieve as a result of the TCCC Transaction or the costs to combine the operations or costs necessary to achieve cost savings, operating synergies and revenue enhancements.

3. INVESTMENTS

The following table summarizes the Company's investments at:

December 31, 2015	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Continuous Unrealized Loss Position less than 12 Months	Continuous Unrealized Loss Position greater than 12 Months
Held-to-Maturity						
Short-term:						
Commercial paper	$ 3,978	$ -	$ -	$ 3,978	$ -	$ -
Municipal securities	709,207	63	192	709,078	192	-
U.S. government agency securities	23,369	-	58	23,311	58	-
U.S. Treasuries	8,056	-	13	8,043	13	-
Long-term:						
Municipal securities	11,071	-	8	11,063	8	-
U.S. government agency securities	4,277	-	25	4,252	25	-
Total	$ 759,958	$ 63	$ 296	$ 759,725	$ 296	$ -

December 31, 2014	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Continuous Unrealized Loss Position less than 12 Months	Continuous Unrealized Loss Position greater than 12 Months
Held-to-Maturity						
Short-term:						
Commercial paper	$ 19,482	$ -	$ 2	$ 19,480	$ -	$ -
Municipal securities	744,542	105	-	744,647	-	-
U.S. government agency securities	9,199	-	1	9,198	-	-
Long-term:						
Municipal securities	42,940	10	-	42,950	-	-
Available-for-sale						
Variable rate demand notes	4,001	-	-	4,001	-	-
Total	$ 820,164	$ 115	$ 3	820,276	$ -	$ -
Trading						
Short-term:						
Auction rate securities				3,910		
Long-term:						
Auction rate securities				-		
Total				$ 824,186		

During the years ended December 31, 2015 and 2014, realized gains or losses recognized on the sale of investments were not significant. During the year ended December 31, 2013, the Company recognized $2.5 million of realized gains on the sale of available-for-sale investments. Realized gains or losses on the sale of all other investments during the year ended December 31, 2013 were not significant.

The Company recognized a net gain through earnings on its trading securities as follows for the years ended:

	2015	2014	2013
Gain (loss) on transfer from available-for-sale to trading	$ -	$ -	$ -
Gain on trading securities sold	250	978	255
(Loss) gain on trading securities held	-	(177)	816
Gain on trading securites	$ 250	$ 801	$ 1,071

The Company's investments at December 31, 2015 and 2014 in commercial paper, municipal securities, U.S. government agency securities, U.S. treasuries and/or variable rate demand notes ("VRDNs") carried investment grade credit ratings. VRDNs are floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. While they are classified as marketable investment securities, the put option allows the VRDNs to be liquidated at par on a same day, or more generally on a seven day, settlement basis. All of the Company's investments at December 31, 2014 in municipal, educational or other public body securities with an auction reset feature ("auction rate securities") also carried investment grade credit ratings.

The following table summarizes the underlying contractual maturities of the Company's investments at:

	December 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year:				
Commercial paper	$ 3,978	$ 3,978	$ 19,482	$ 19,480
Municipal securities	709,207	709,078	744,542	744,647
U.S. government agency securities	23,369	23,311	9,199	9,198
U.S. Treasuries	8,056	8,043	-	-
Due 1 -10 years:				
Municipal securities	11,071	11,063	42,940	42,950
U.S. government agency securities	4,277	4,252	-	-
Due 11 - 20 years:				
Auction rate securities	-	-	3,910	3,910
Due 21 - 30 years:				
Variable rate demand notes	-	-	4,001	4,001
Total	$ 759,958	$ 759,725	$ 824,074	$ 824,186

4. FAIR VALUE OF CERTAIN FINANCIAL ASSETS AND LIABILITIES

ASC 820 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The three levels of inputs required by the standard that the Company uses to measure fair value are summarized below.

- **Level 1:** Quoted prices in active markets for identical assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASC 820 requires the use of observable market inputs (quoted market prices) when measuring fair value and requires a Level 1 quoted price to be used to measure fair value whenever possible.

The following tables present the Company's held-to-maturity investments at amortized cost as well as the fair value of the Company's financial assets that are recorded at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy at:

December 31, 2015	Level 1	Level 2	Level 3	Total
Cash	$ 255,723	$ -	$ -	$ 255,723
Money market funds	664,005	-	-	664,005
Certificates of deposit	-	85,007	-	85,007
Commercial paper	-	430,605	-	430,605
U.S. Treasuries	-	260,035	-	260,035
Municipal securities	-	731,744	-	731,744
U.S. government agency securities	-	508,256	-	508,256
Foreign currency derivatives	-	(217)	-	(217)
Total	$ 919,728	$ 2,015,430	$ -	$ 2,935,158
Amounts included in:				
Cash and cash equivalents	$ 919,728	$ 1,255,689	$ -	$ 2,175,417
Short-term investments	-	744,610	-	744,610
Accounts receivable, net	-	371	-	371
Investments	-	15,348	-	15,348
Accrued liabilities	-	(588)	-	(588)
Total	$ 919,728	$ 2,015,430	$ -	$ 2,935,158

December 31, 2014	Level 1	Level 2	Level 3	Total
Cash	$ 196,090	$ -	$ -	$ 196,090
Money market funds	106,928	-	-	106,928
Commercial paper	-	19,482	-	19,482
Municipal securities	-	854,787	-	854,787
U.S. government agency securities	-	9,199	-	9,199
Variable rate demand notes	-	4,001	-	4,001
Auction rate securities	-	-	3,910	3,910
Put option related to auction rate securities	-	-	250	250
Foreign currency derivatives	-	(252)	-	(252)
Total	$ 303,018	$ 887,217	$ 4,160	$ 1,194,395
Amounts included in:				
Cash and cash equivalents	$ 303,018	$ 67,305	$ -	$ 370,323
Short-term investments	-	777,224	3,910	781,134
Accounts receivable, net	-	83	-	83
Investments	-	42,940	-	42,940
Prepaid expenses and other current assets	-	-	250	250
Accrued liabilities	-	(335)	-	(335)
Total	$ 303,018	$ 887,217	$ 4,160	$ 1,194,395

The majority of the Company's short-term investments are classified within Level 1 or Level 2 of the fair value hierarchy. The Company's valuation of its Level 1 investments, which include money market funds, is based on quoted market prices in active markets for identical securities. The Company's valuation of its Level 2 investments, which include commercial paper, certificates of deposit, U.S. treasuries, municipal securities, U.S. government agency securities and VRDNs, is based on other observable inputs, specifically a market approach which utilizes valuation models, pricing systems, mathematical tools and other relevant information for the same or similar securities. The Company's valuation of its Level 2 foreign exchange contracts is based on quoted market prices of the same or similar instruments, adjusted for counterparty risk. There were no transfers between Level 1 and Level 2 measurements during the years ended December 31, 2015 and 2014, and there were no changes in the Company's valuation techniques.

The Company's Level 3 assets were comprised of auction rate securities and put options. The Company's Level 3 valuation utilized a mark-to-model approach which included estimates for interest rates, timing and amount of cash flows, credit and liquidity premiums, as well as expected holding periods for the auction rate securities. These assumptions are typically volatile and subject to change as the underlying data sources and market conditions evolve. A significant change in any single input could have a significant valuation impact; however, no single input has a more significant impact on valuation than another. There were no changes in the Company's valuation techniques of its Level 3 assets during the year ended December 31, 2015.

The following table presents quantitative information related to the significant unobservable inputs utilized in the Company's Level 3 recurring fair value measurements as of December 31, 2014.

	Valuation Technique	Unobservable Input	Range (Weighted-Average)
Auction Rate Securities	Discounted cash flow	Maximum rate probability	1.37%-3.02% (2.58%)
		Principal returned probability	84.78%-94.07% (87.05%)
		Default probability	4.56%-12.21% (10.37%)
		Liquidity risk	2.50%-2.50% (2.50%)
		Recovery rate	60-60 (60)
Put Options	Discounted cash flow	Counterparty risk	0.73%-0.79% (0.74%)

At December 31, 2015, the Company held no auction rate securities. At December 31, 2014, the Company held auction rate securities with a face value of $4.2 million (amortized cost basis of $3.9 million). A Level 3 valuation was performed on the Company's auction rate securities as of December 31, 2014 resulting in a fair value of $3.9 million for the Company's trading auction rate securities (after a $0.3 million impairment), which are included in short-term and long-term investments.

The following table provides a summary reconciliation of the Company's financial assets that are recorded at fair value on a recurring basis using significant unobservable inputs (Level 3):

	December 31, 2015		December 31, 2014	
	Auction Rate Securities	Put Options	Auction Rate Securities	Put Options
Opening Balance	$ 3,910	$ 250	$ 16,184	$ 1,092
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Total gains (losses) for the period:				
Included in earnings	250	(250)	801	(842)
Included in other comprehensive income	-	-	-	-
Settlements	(4,160)	-	(13,075)	-
Closing Balance	$ -	$ -	$ 3,910	$ 250

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to foreign currency exchange rate risks related primarily to its foreign business operations. The Company entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries' non-functional currency denominated assets and liabilities. All foreign currency exchange contracts entered into by the Company as of December 31, 2015 have terms of one month or less. The Company does not enter into forward currency exchange contracts for speculation or trading purposes.

The Company has not designated its foreign currency exchange contracts as hedge transactions under ASC 815. Therefore, gains and losses on the Company's foreign currency exchange contracts are recognized in other expense, net, in the consolidated statements of income, and are largely offset by the changes in the fair value of the underlying economically hedged item.

The notional amount and fair value of all outstanding foreign currency derivative instruments in the consolidated balance sheets consist of the following at:

Derivatives not designated as hedging instruments under FASB ASC 815-20	December 31, 2015		
	Notional Amount	Fair Value	Balance Sheet Location
Assets:			
Foreign currency exchange contracts:			
Receive USD/pay GBP	$ 18,146	$ 168	Accounts receivable, net
Receive USD/pay ZAR	17,411	144	Accounts receivable, net
Receive USD/pay RUB	2,173	9	Accounts receivable, net
Receive USD/pay BRL	2,478	49	Accounts receivable, net
Receive USD/pay COP	1,351	1	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts:			
Receive EUR/pay USD	$ 39,578	$ (429)	Accrued liabilities
Receive USD/pay AUD	14,040	(82)	Accrued liabilities
Receive USD/pay CAD	2,804	(15)	Accrued liabilities
Receive USD/pay JPY	2,495	(2)	Accrued liabilities
Receive USD/pay MXN	8,122	(15)	Accrued liabilities
Receive SGD/pay USD	3,837	(30)	Accrued liabilities
Receive USD/pay NZD	1,978	(3)	Accrued liabilities
Receive USD/pay CLP	3,519	(12)	Accrued liabilities

Derivatives not designated as hedging instruments under FASB ASC 815-20	December 31, 2014 Notional Amount	Fair Value	Balance Sheet Location
Assets:			
Foreign currency exchange contracts:			
Receive CAD/pay USD	$ 19,940	$ 83	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts:			
Receive EUR/pay USD	$ 13,265	$ (75)	Accrued liabilities
Receive USD/pay AUD	8,343	(48)	Accrued liabilities
Receive USD/pay JPY	10,620	(84)	Accrued liabilities
Receive USD/pay ZAR	14,760	(105)	Accrued liabilities
Receive USD/pay MXN	4,961	(11)	Accrued liabilities
Receive USD/pay CLP	2,685	(10)	Accrued liabilities
Receive USD/pay COP	2,845	(2)	Accrued liabilities

The net gain on derivative instruments in the consolidated statements of income were as follows:

Derivatives not designated as hedging instruments under FASB ASC 815-20	Location of gain recognized in income on derivatives	Amount of gain recognized in income on derivatives — Year ended December 31, 2015	December 31, 2014
Foreign currency exchange contracts	Other expense, net	$ 2,503	$ 1,424

6. INVENTORIES

Inventories consist of the following at December 31:

	2015	2014
Raw materials	$ 52,043	$ 59,938
Finished goods	104,078	114,635
	$ 156,121	$ 174,573

7. PROPERTY AND EQUIPMENT, Net

Property and equipment consist of the following at December 31:

	2015	2014
Land	$ 6,792	$ 6,792
Leasehold improvements	2,804	2,796
Furniture and fixtures	3,551	3,371
Office and computer equipment	11,080	10,072
Computer software	2,530	1,317
Equipment	93,465	84,263
Building	39,848	37,311
Vehicles	29,804	27,813
	189,874	173,735
Less: accumulated depreciation and amortization	(92,520)	(83,579)
	$ 97,354	$ 90,156

8. GOODWILL AND OTHER INTANGIBLES ASSETS

The following is a roll-forward of goodwill for the year ended December 31, 2015 by reportable segment:

	Finished Products	Concentrate	Total
Balance at December 31, 2014	$ -	$ -	$ -
Acquisitions	641,716	637,999	1,279,715
Balance at December 31, 2015	$ 641,716	$ 637,999	$ 1,279,715

Intangible assets consist of the following at:

	December 31, 2015	December 31, 2014
Amortizing intangibles	$ 35,263	$ 233
Accumulated amortization	(3,899)	(50)
	31,364	183
Non-amortizing intangibles	396,622	50,565
	$ 427,986	$ 50,748

During the fourth quarter of 2015, the Company finalized its goodwill allocation by reporting unit in connection with the final TCCC Transaction purchase price allocation.

Amortizing intangibles primarily consist of customer relationships. All amortizing intangibles have been assigned an estimated finite useful life and such intangibles are amortized on a straight-line basis over the number of years that approximate their respective useful lives, generally 5 years. Total amortization expense recorded was $3.9 million, $0.4 million and $0.05 million for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, future estimated amortization expense related to amortizing intangibles through the year ending December 31, 2019 is approximately $7.0 million per year and $3.0 million for the year ending December 31, 2020.

At December 31, 2015, non-amortizing intangibles primarily consist of indefinite-lived tradenames. At December 31, 2014, $18.0 million of non-amortizing intangibles and $0.1 million of amortizing intangibles (net

of accumulated amortization) divested under the TCCC Transaction are included in intangibles held-for-sale in the accompanying consolidated balance sheet at December 31, 2014.

9. DISTRIBUTION AGREEMENTS

As part of the TCCC Transaction, the amended distribution coordination agreements entered into with TCCC provided for the transition of third parties' rights to distribute the Company's products in most territories in the U.S. and Canada to members of TCCC's distribution network, which consists of owned or controlled bottlers/distributors and independent bottlers/distributors. In February 2015, in accordance with its then existing agreements with certain affected third-party distributors, the Company sent notices of termination to the applicable affected third-party distributors in the U.S., providing for the termination of their respective distribution agreements. The associated distribution rights relating to such terminated distribution agreements were transitioned to the TCCC distribution network as of the effective date of termination of the affected third-party distributors' rights in the applicable territories. As of February 29, 2016, distribution rights in the U.S. representing approximately 89% of the target case sales (see Note 2) have been transitioned to TCCC's distribution network.

In accordance with ASC No. 420 "Exit or Disposal Cost Obligations", the Company expenses distributor termination costs in the period in which the written notification of termination occurs. As a result, the Company incurred termination costs of $224.0 million, ($0.2) million and $10.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. Such termination costs have been expensed in full and are included in operating expenses for the years ended December 31, 2015, 2014 and 2013.

In the normal course of business, amounts received pursuant to new and/or amended distribution agreements entered into with certain distributors, relating to the costs associated with terminating agreements with the Company's prior distributors, are accounted for as deferred revenue and are recognized as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years. Revenue recognized was $50.5 million, $7.8 million and $8.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Included in the $50.5 million of revenue recognized for the year ended December 31, 2015 was $39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015, as described above.

10. DEBT

The Company entered into a credit facility with Comerica Bank ("Comerica") consisting of a revolving line of credit, which was amended in April 2015, under which the Company may borrow up to $10.0 million of non-collateralized debt. The revolving line of credit is effective through June 1, 2017. Interest on borrowings under the line of credit is based on Comerica's base (prime) rate minus 1% to 1.5%, or London Interbank Offered Rates plus an additional percentage of 1.25% to 1.75%, depending upon certain financial ratios maintained by the Company. The Company had no outstanding borrowings on this line of credit at December 31, 2015. Under this revolving line of credit, the Company may also issue standby Letters of Credit with an aggregate amount of up to $4.0 million. The fee on the standby Letters of Credit ranges from 1.00% to 1.50% depending upon certain financial ratios maintained by the Company. The Company had no outstanding standby Letters of Credit at December 31, 2015.

The Company's debt of $0.8 million and $0.4 million at December 31, 2015 and 2014, respectively, consisted of capital leases, collateralized by vehicles, payable over 12 months in monthly installments at various effective interest rates, with final payments ending on or before December 31, 2016.

At December 31, 2015 and 2014, the assets acquired under capital leases had a net book value of $3.6 million and $3.7 million, net of accumulated depreciation of $4.4 million and $3.5 million, respectively.

Interest expense for capital lease obligations amounted to $0.03 million, $0.03 million and $0.05 million for the years ended December 31, 2015, 2014 and 2013, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company is obligated under various non-cancellable lease agreements providing for office space, warehouse space, and automobiles that expire at various dates through the year 2023.

Rent expense under operating leases was $10.7 million, $6.8 million and $7.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum rental payments at December 31, 2015 under the operating leases referred to above are as follows:

Year Ending December 31:	
2016	$ 7,202
2017	1,430
2018	515
2019	460
2020	378
2021 and thereafter	740
	$ 10,725

Contractual obligations – The Company has the following contractual obligations related primarily to sponsorships and other commitments as of December 31, 2015:

Year Ending December 31:	
2016	$ 67,356
2017	39,388
2018	4,811
2019	60
2020	-
2021 and thereafter	-
	$ 111,615

Purchase Commitments – The Company has purchase commitments aggregating approximately $40.8 million at December 31, 2015, which represent commitments made by the Company and its subsidiaries to various suppliers of raw materials for the production of its products. These obligations vary in terms, but are generally satisfied within one year.

The Company purchases various raw material items, including, but not limited to, flavors, ingredients, dietary ingredients, containers, milk, cream and protein, from a limited number of resources. An interruption in supply from any of such resources could result in the Company's inability to produce certain products for limited or possibly extended periods of time. The aggregate value of purchases from suppliers of such limited resources described above for the years ended December 31, 2015, 2014 and 2013 was $332.0 million, $292.8 million and $282.5 million, respectively.

During February 2016, the Company entered into an agreement to acquire approximately 49 acres of land, located in Rialto, CA, for a purchase price of approximately $39 million. The purchase is subject to various

conditions precedent that must be satisfied prior to the closing. If the Company ultimately acquires the land, it intends to build an approximately 1,000,000 square-foot building to replace its current leased warehouse and distribution space in Corona, CA.

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 distribution or 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 or the use of Company trademarks, 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 and typically, a maximum obligation is not explicitly stated. Generally, the Company believes that its insurance coverage is adequate to cover any resulting liabilities or claims.

Litigation – The Company has been named a defendant in various personal injury lawsuits, claiming that the death or other serious injury of the plaintiffs was caused by consumption of Monster Energy® brand energy drinks. The plaintiffs in these lawsuits allege strict product liability, negligence, fraudulent concealment, breach of implied warranties and wrongful death. The Company believes that each complaint is without merit and plans a vigorous defense. The Company also believes that any damages, if awarded, would not have a material adverse effect on the Company's financial position or results of operations.

State Attorney General Inquiry – In July 2012, the Company received a subpoena from the Attorney General for the State of New York in connection with its investigation concerning the Company's advertising, marketing, promotion, ingredients, usage and sale of its Monster Energy® brand energy drinks. Production of documents pursuant to that subpoena was completed in approximately May 2014.

On August 6, 2014, the Attorney General for the State of New York issued a second subpoena seeking additional documents and the deposition of a Company employee. On September 8, 2014, the Company moved to quash the second subpoena in the Supreme Court, New York County. The motion was fully briefed and was argued on March 17, 2015. No decision has been rendered. It is unknown what, if any, action the state attorney general may take against the Company, the relief which may be sought in the event of any such proceeding or whether such proceeding could have a material adverse effect on the Company's business, financial condition or results of operations.

San Francisco City Attorney Litigation – On October 31, 2012, the Company received a written request for information from the City Attorney for the City and County of San Francisco concerning the Company's advertising and marketing of its Monster Energy® brand energy drinks and specifically concerning the safety of its products for consumption by adolescents. In a letter dated March 29, 2013, the San Francisco City Attorney threatened to bring suit against the Company if it did not agree to take the following five steps immediately: (i) "Reformulate its products to lower the caffeine content to safe levels" - (ii) "Provide adequate warning labels"; (iii) "Cease promoting over-consumption in marketing"; (iv) "Cease use of alcohol and drug references in marketing"; and (v) "Cease targeting minors."

(i) The Company Action – On April 29, 2013, the Company and its wholly owned subsidiary, Monster Energy Company, filed a complaint for declaratory and injunctive relief against the San Francisco City Attorney (the "Company Action") in United States District Court for the Central District of California (the "Central District Court"), styled *Monster Beverage Corp., et al. v. Dennis Herrera*. The Company sought a declaration from the Central District Court that the San Francisco City Attorney's investigation and demands are impermissible and preempted, subject to the doctrine of primary jurisdiction, are unconstitutional in that they violate the First and

Fourteenth Amendments' prohibitions against compelled speech, content-based speech and commercial speech, are impermissibly void-for-vagueness, and/or violate the Commerce Clause. On June 3, 2013, the City Attorney filed a motion to dismiss the Company Action, arguing in part that the complaint should be dismissed in light of the San Francisco Action (described below) filed on May 6, 2013. On August 22, 2013, the Central District Court granted in part and denied in part the City Attorney's motion. On October 17, 2013, the City Attorney filed a renewed motion to dismiss the Company Action and on December 16, 2013, the Central District Court granted the City Attorney's renewed motion, dismissing the Company Action. The Company filed a Notice of Appeal to the Ninth Circuit on December 18, 2013. The appeal is fully briefed and is set for argument on April 7, 2016.

(ii) The San Francisco Action – On May 6, 2013, the San Francisco City Attorney filed a complaint for declaratory and injunctive relief, civil penalties and restitution for alleged violation of California's Unfair Competition Law, Business & Professions Code sections 17200, *et seq., styled People Of The State Of California ex rel. Dennis Herrera, San Francisco City Attorney v. Monster Beverage Corporation*, in San Francisco Superior Court (the "San Francisco Action"). The City Attorney alleges that the Company (1) mislabeled its products as a dietary supplement, in violation of California's Sherman Food, Drug and Cosmetic Law, California Health & Safety Code sections 109875 et. seq.; (2) is selling an "adulterated" product because caffeine is not generally recognized as safe due to the alleged lack of scientific consensus concerning the safety of the levels of caffeine in the Company's products; and (3) is engaged in unfair and misleading business practices because its marketing (a) does not disclose the health risks that energy drinks pose for children and teens; (b) fails to warn against and promotes unsafe consumption; (c) implicitly promotes mixing of energy drinks with alcohol or drugs; and (d) is deceptive because it includes unsubstantiated claims about the purported special benefits of its "killer" ingredients and "energy blend." The City Attorney sought a declaration that the Company has engaged in unfair and unlawful business acts and practices in violation of the Unfair Competition Law; an injunction from performing or proposing to perform any acts in violation of the Unfair Competition Law; restitution; and civil penalties.

After a motion to strike filed by the Company was granted in part, on March 20, 2014, the City Attorney filed an amended complaint, adding allegations supporting the theory for relief as to which the Court had granted the motion to strike. On April 18, 2014, the Company filed a renewed motion to strike, as well as a motion asking the Court to bifurcate and/or stay claims relating to the safety of Monster Energy® brand energy drinks, pending resolution of the ongoing FDA investigation of the safety and labeling of food products to which caffeine is added. On May 22, 2014, the Court denied the Company's motion to strike and motion to bifurcate and/or stay claims relating to safety.

On September 5, 2014, the City Attorney filed a second amended complaint, adding Monster Energy Company as a defendant. The Company and Monster Energy Company filed answers to the second amended complaint on October 4, 2014 and November 10, 2014, respectively. Discovery is ongoing.

The Court has set the case for a bench trial for April 10-17, 2017.

The Company denies that it has violated the Unfair Competition Law or any other law and believes that the City Attorney's claims and demands are preempted and unconstitutional, as alleged in the action the Company filed in the Central District Court. The Company intends to vigorously defend against this lawsuit. At this time, no evaluation of the likelihood of an unfavorable outcome or range of potential loss can be expressed.

The actions or investigations described above have not progressed to a point where a reasonably possible range of losses associated with their ultimate outcome can be estimated at this time. If the final resolution of any such litigation or proceedings is unfavorable, the Company's financial condition, operating results and cash flows could be materially affected.

In addition to the above matters, the Company has been named as a defendant in various false advertising putative class actions and in a private attorney general action. In these actions, plaintiffs allege that defendants misleadingly labeled and advertised Monster Energy® brand products that allegedly were ineffective for the advertised benefits (including, but not limited to, an allegation that the products do not hydrate as advertised because they contain caffeine). The plaintiffs further allege that the Monster Energy® brand products at issue are unsafe because they contain one or more ingredients that allegedly could result in illness, injury or death. In connection with these product safety allegations, the plaintiffs claim that the product labels did not provide adequate warnings and/or that the Company did not include sufficiently specific statements with respect to contra-indications and/or adverse reactions associated with the consumption of its energy drink products (including, but not limited to, claims that certain ingredients, when consumed individually or in combination with other ingredients, could result in high blood pressure, palpitations, liver damage or other negative health effects and/or that the products themselves are unsafe). Based on these allegations, the plaintiffs assert claims for violation of state consumer protection statutes, including unfair competition and false advertising statutes, and for breach of warranty and unjust enrichment. In their prayers for relief, the plaintiffs seek, inter alia, compensatory and punitive damages, restitution, attorneys' fees, and, in some cases, injunctive relief. The Company regards these cases and allegations as having no merit. Furthermore, the Company is subject to litigation from time to time in the normal course of business, including intellectual property litigation and claims from terminated distributors.

Although it is not possible to predict the ultimate outcome of such litigation, based on the facts known to the Company, management believes that such litigation in the aggregate will likely not have a material adverse effect on the Company's financial position or results of operations.

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued, if any, or in the amount of any related insurance reimbursements recorded. As of December 31, 2015, the Company's consolidated balance sheet includes accrued loss contingencies of approximately $2.8 million.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss are as follows at December 31:

	2015	2014
Foreign currency translation adjustments, net of tax	$ 21,878	$ 11,453

13. TREASURY STOCK PURCHASE

On June 12, 2015, as part of the TCCC Transaction, the Company cancelled 41.5 million shares of treasury stock owned by the Company. The cancelled stock had a carrying value of approximately $1,482.6 million. The Company's accounting policy upon the formal retirement of treasury stock is to deduct its par value from common stock and to reflect any excess of cost over par as a deduction from retained earnings.

On April 7, 2013, the Company's Board of Directors authorized a new share repurchase program for the repurchase of up to $200.0 million of the Company's outstanding common stock (the "April 2013 Repurchase Plan"). During the year ended December 31, 2015, the Company purchased 1.1 million shares of common stock at an average purchase price of $134.71 per share, for a total amount of $145.7 million (excluding broker commissions), which exhausted the availability under the April 2013 Repurchase Plan.

On September 11, 2015, the Company's Board of Directors authorized a new share repurchase program for the repurchase of up to $500.0 million of the Company's outstanding common stock (the "September 2015

Repurchase Plan"). During the year ended December 31, 2015, the Company purchased 1.9 million shares of common stock at an average purchase price of $134.26 per share, for a total amount of $250.0 million (excluding broker commissions), under the September 2015 Repurchase Plan.

During the year ended December 31, 2015, 3.3 million shares were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of $412.3 million. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs, including the September 2015 Repurchase Plan or the April 2013 Repurchase Plan. Shares purchased subsequent to the TCCC Transaction are included in common stock in treasury in the accompanying condensed consolidated balance sheet at December 31, 2015.

14. STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans under which shares were available for grant at December 31, 2015: the Monster Beverage Corporation 2011 Omnibus Incentive Plan (the "2011 Omnibus Incentive Plan") and the 2009 Monster Beverage Corporation Stock Incentive Plan for Non-Employee Directors (the "2009 Directors Plan").

The 2011 Omnibus Incentive Plan permits the granting of options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards up to an aggregate of 14,500,000 shares of the common stock of the Company to employees or consultants of the Company and its subsidiaries. Shares authorized under the 2011 Omnibus Incentive Plan are reduced by 2.16 shares for each share granted or issued with respect to a Full Value Award. A Full Value Award is an award other than an incentive stock option, a non-qualified stock option, or a stock appreciation right, which is settled by the issuance of shares. Options granted under the 2011 Omnibus Incentive Plan may be incentive stock options under Section 422 of the Internal Revenue Code, as amended, or non-qualified stock options. The Compensation Committee of the Board of Directors (the "Compensation Committee") has sole and exclusive authority to grant stock awards to all employees who are not new hires and to all new hires who are subject to Section 16 of the Exchange Act. The Compensation Committee and the Executive Committee of the Board of Directors (the "Executive Committee") each independently has the authority to grant stock awards to new hires who are not Section 16 employees. Awards granted by the Executive Committee are not subject to approval or ratification by the Board or the Compensation Committee. Options granted under the 2011 Omnibus Incentive Plan generally vest over a five-year period from the grant date and are generally exercisable up to 10 years after the grant date. As of December 31, 2015, 4,595,021 shares of the Company's common stock have been granted, net of cancellations, and 8,809,885 shares (as adjusted for Full Value Awards) of the Company's common stock remain available for grant under the 2011 Omnibus Incentive Plan.

The 2009 Directors Plan permits the granting of options, stock appreciation rights (each, a "SAR"), and other stock-based awards to purchase up to an aggregate of 1,600,000 shares of common stock of the Company to non-employee directors of the Company. The 2009 Directors Plan is administered by the Board of Directors. Each award granted under the 2009 Directors Plan will be evidenced by a written agreement and will contain the terms and conditions that the Board of Directors deems appropriate. The Board of Directors may grant such awards on the last business day prior to the date of the annual meeting of stockholders. Any award granted under the 2009 Directors Plan will vest, with respect to 100% of such award, on the last business day prior to the date of the annual meeting, in the calendar year following the calendar year in which such award is granted. The Board of Directors may determine the exercise price per share of the Company's common stock under each option, but such price may not be less than 100% of the closing price of the Company's common stock on the date an option is granted. Option grants may be made under the 2009 Directors Plan for 10 years from June 4, 2009. The Board of Directors may also grant SARs, independently, or in connection with an option grant. The Board of Directors may determine the exercise price per share of the Company's common stock under each SAR, but such price may not be less than the greater of (i) the fair market value of a share on the date the SAR is granted and (ii) the price

of the related option, if the SAR is granted in connection with an option grant. Additionally, the Board of Directors may grant other stock-based awards, which include awards of shares of the Company's common stock, restricted shares of the Company's common stock, and awards that are valued based on the fair market value of shares of the Company's common stock. SARs and other stock-based awards are subject to the general provisions of the 2009 Directors Plan. The Board of Directors may amend or terminate the 2009 Directors Plan at any time. As of December 31, 2015, options to purchase 87,964 shares of the Company's common stock had been granted under the 2009 Directors Plan, and options to purchase 1,512,036 shares of the Company's common stock remained available for grant.

The Company recorded $32.7 million, $28.6 million and $28.8 million of compensation expense relating to outstanding options, restricted stock awards, stock appreciation rights and restricted stock units during the years ended December 31, 2015, 2014 and 2013, respectively.

The excess tax benefit realized for tax deductions from non-qualified stock option exercises, disqualifying dispositions of incentive stock options, vesting of restricted stock units and restricted stock awards for the years ended December 31, 2015, 2014 and 2013 was $314.7 million, $11.9 million and $30.3 million, respectively.

Stock Options

Under the Company's stock-based compensation plans, all stock options granted as of December 31, 2015 were granted at prices based on the fair value of the Company's common stock on the date of grant. The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton option pricing formula with the assumptions included in the table below. The Company records compensation expense for non-employee stock options based on the estimated fair value of the options as of the earlier of (1) the date at which a commitment for performance by the non-employee to earn the stock option is reached or (2) the date at which the non-employee's performance is complete, using the Black-Scholes-Merton option pricing formula with the assumptions included in the table below. The Company uses historical data to determine the exercise behavior, volatility and forfeiture rate of the options.

The following weighted-average assumptions were used to estimate the fair value of options granted during:

	2015	2014	2013
Dividend yield	0.0 %	0.0 %	0.0 %
Expected volatility	37.1 %	41.4 %	47.5 %
Risk-free interest rate	1.57 %	1.55 %	0.98 %
Expected term	5.8 Years	5.8 Years	5.7 Years

Expected Volatility: The Company uses historical volatility as it provides a reasonable estimate of the expected volatility. Historical volatility is based on the most recent volatility of the stock price over a period of time equivalent to the expected term of the option.

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. Treasury zero coupon yield curve in effect at the time of grant for the expected term of the option.

Expected Term: The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options to derive employee behavioral patterns used to forecast expected exercise patterns.

The following table summarizes the Company's activities with respect to its stock option plans as follows:

Options	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	13,066	$ 19.73	3.1	$ 1,158,412
Granted 01/01/15 - 03/31/15	903	$ 133.68		
Granted 04/01/15 - 06/30/15	33	$ 133.43		
Granted 07/01/15 - 09/30/15	56	$ 135.00		
Granted 10/01/15 - 12/31/15	6	$ 134.20		
Exercised	(7,379)	$ 6.69		
Cancelled or forfeited	(95)	$ 71.59		
Outstanding at December 31, 2015	6,590	$ 50.85	5.6	$ 646,497
Vested and expected to vest in the future at December 31, 2015	6,238	$ 48.05	5.5	$ 629,496
Exercisable at December 31, 2015	3,899	$ 24.36	3.9	$ 485,835

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices ($)	Number Outstanding (In Thousands)	Weighted Average Remaining Contractual Term (Years)	Weighted Average Exercise Price ($)	Number Exercisable (In Thousands)	Weighted Average Exercise Price ($)
$13.53 - $13.53	33	2.9	$13.53	33	$13.53
$15.86 - $15.86	1,663	2.4	$15.86	1,663	$15.86
$16.84 - $16.84	18	3.1	$16.84	18	$16.84
$17.82 - $17.82	1,147	3.9	$17.82	1,147	$17.82
$18.07 - $47.13	956	5.7	$36.58	498	$28.06
$47.65 - $57.25	665	7.2	$54.69	299	$54.06
$57.45 - $69.00	255	7.4	$63.23	56	$63.89
$70.06 - $70.06	661	8.2	$70.06	165	$70.06
$70.54 - $135.03	363	9.0	$114.18	20	$109.79
$135.48 - $141.13	829	9.2	$135.55	-	$0.00
	6,590	5.6	$50.85	3,899	$24.36

The weighted-average grant-date fair value of options granted during the years ended December 31, 2015, 2014 and 2013 was $50.20 per share, $31.49 per share and $22.57 per share, respectively. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $870.1 million, $47.1 million and $91.6 million, respectively.

Cash received from option exercises under all plans for the years ended December 31, 2015, 2014 and 2013 was approximately $49.2 million, $17.2 million and $21.3 million, respectively.

At December 31, 2015, there was $69.1 million of total unrecognized compensation expense related to nonvested options granted to employees under the Company's share-based payment plans. That cost is expected to be recognized over a weighted-average period of 2.7 years.

Restricted Stock Awards and Restricted Stock Units

Stock-based compensation cost for restricted stock awards and restricted stock units is measured based on the closing fair market value of the Company's common stock at the date of grant. In the event that the Company has the option and intent to settle a restricted stock unit in cash, the award is classified as a liability and revalued at each balance sheet date. Total cash paid to settle restricted stock unit liabilities and the increase in the liabilities for future cash settlements during the years ended December 31, 2015 and 2014 were not material.

The following table summarizes the Company's activities with respect to non-vested restricted stock units as follows:

	Number of Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2015	149	$ 61.09
Granted 01/01/15 - 03/31/15	83	135.48
Granted 04/01/15 - 06/30/15	-	-
Granted 07/01/15 - 09/30/15	8	147.36
Granted 10/01/15 - 12/31/15	-	-
Vested	(48)	59.32
Forfeited/cancelled	(14)	63.57
Non-vested at December 31, 2015	178	$ 99.58

The weighted-average grant-date fair value of restricted stock units and restricted stock awards granted during the years ended December 31, 2015, 2014 and 2013 was $136.50, $84.38 and $53.50 per share, respectively. As of December 31, 2015, 0.2 million of restricted stock units are expected to vest.

At December 31, 2015, total unrecognized compensation expense relating to non-vested restricted stock awards and non-vested restricted stock units was $11.9 million, which is expected to be recognized over a weighted-average period of 1.8 years.

Employee and Non-Employee Share-Based Compensation Expense

The table below shows the amounts recognized in the consolidated financial statements for the twelve-months ended December 31, 2015, 2014 and 2013 for share-based compensation related to employees and non-employees. Employee and non-employee share-based compensation expense of $32.7 million for the year ended December 31, 2015 is comprised of $6.2 million that relates to incentive stock options and $26.5 million that relates to non-qualified stock options and restricted units and awards. Employee and non-employee share-based compensation expense of $28.6 million for the year ended December 31, 2014 is comprised of $4.8 million that relates to incentive stock options and $23.8 million that relates to non-qualified stock options and restricted units and awards. Employee and non-employee share-based compensation expense of $28.8 million for the year ended December 31, 2013 is comprised of $5.2 million that relates to incentive stock options and $23.6 million that relates to non-qualified stock options and restricted units and awards. The portion of share-based compensation expense that relates to incentive stock options has not been considered in the tax benefit computation below.

	2015	2014	2013
Operating expenses	$ 32,719	$ 28,552	$ 28,764
Total employee and non-employee share-based compensation expense included in income, before income tax	32,719	28,552	28,764
Less: Amount of income tax benefit recognized in earnings	(9,058)	(2,932)	(7,730)
Amount charged against net income	$ 23,661	$ 25,620	$ 21,034

15. INCOME TAXES

The domestic and foreign components of the Company's income (loss) before provision for income taxes are as follows:

	Year Ended December 31,		
	2015	2014	2013
Domestic*	$ 859,039	$ 711,917	$ 596,899
Foreign*	32,509	33,871	(33,005)
Income before provision for income taxes	$ 891,548	$ 745,788	$ 563,894

**After intercompany royalties, management fees and interest charges from the Company's domestic to foreign entities of $29.2 million, $34.9 million and $25.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.*

Components of the provision for income taxes are as follows:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$ 548,018	$ 228,348	$ 191,596
State	88,671	36,633	36,662
Foreign	10,634	7,467	4,052
	647,323	272,448	232,310
Deferred:			
Federal	(255,422)	(8,473)	(7,441)
State	(40,446)	(442)	(1,443)
Foreign	(5,420)	3,476	(9,694)
	(301,288)	(5,439)	(18,578)
Valuation allowance	(1,220)	(4,406)	11,501
	$ 344,815	$ 262,603	$ 225,233

The differences in the total provision for income taxes that would result from applying the 35% federal statutory rate to income before provision for income taxes and the reported provision for income taxes are as follows:

	Year Ended December 31,		
	2015	2014	2013
U.S. Federal tax expense at statutory rates	$ 312,042	$ 261,025	$ 197,363
State income taxes, net of federal tax benefit	31,046	23,859	22,640
Permanent differences	8,488	4,816	936
Domestic production deduction	-	(20,607)	(16,039)
Other	(127)	(1,267)	266
Foreign rate differential	(5,414)	(817)	8,566
Valuation allowance	(1,220)	(4,406)	11,501
	$ 344,815	$ 262,603	$ 225,233

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

	2015	2014
Deferred Tax Assets:		
Reserve for sales returns	$ 242	$ 289
Reserve for doubtful accounts	18	36
Reserve for inventory obsolescence	1,126	3,030
Reserve for marketing development fund	10,118	9,118
Capitalization of inventory costs	1,927	2,527
State franchise tax - current	15,143	12,358
Accrued compensation	1,584	-
Accrued other liabilities	1,565	3,503
Deferred revenue	152,777	47,319
Stock-based compensation	24,488	25,268
Securities impairment	289	288
Foreign net operating loss carryforward	26,624	17,256
Prepaid supplies	6,065	4,195
Distribution rights	120,798	-
Termination payments	81,896	-
Capital loss carryforward	370	-
Gain on intercompany transfer	7,809	8,347
Total gross deferred tax assets	$ 452,839	$ 133,534
Deferred Tax Liabilities:		
Amortization of trademarks	$ (12,078)	$ (11,923)
Intangibles	(134,021)	-
State franchise tax - deferred	(18,359)	(4,198)
Other deferred tax liabilities	(2,337)	(327)
Depreciation	(7,543)	(5,022)
Total gross deferred tax liabilities	(174,338)	(21,470)
Valuation Allowance	(17,191)	(17,683)
Net deferred tax assets	$ 261,310	$ 94,381

During the years ended December 31, 2015, 2014 and 2013, the Company established full valuation allowances against certain deferred tax assets, resulting from cumulative net operating losses incurred by certain foreign subsidiaries of the Company. The effect of the valuation allowances and the subsequent related impact on the Company's overall tax rate was to (decrease) increase the Company's provision for income taxes by ($0.5) million, ($4.4) million and $10.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015, the Company had net operating loss carryforwards of approximately $129.1 million. Of this amount, $112.3 million may be carried forward indefinitely. The remaining $16.9 million will begin to expire in 2017.

The following is a roll-forward of the Company's total gross unrecognized tax benefits, not including interest and penalties, for the years ended December 31, 2015, 2014 and 2013:

	Gross Unrealized Tax Benefits
Balance at January 1, 2013	$ 926
Additions for tax positions related to the current year	-
Additions for tax positions related to the prior year	9
Decreases for tax positions related to prior years	-
Balance at December 31, 2013	$ 935
Additions for tax positions related to the current year	-
Additions for tax positions related to the prior year	-
Decreases for tax positions related to prior years	-
Balance at December 31, 2014	$ 935
Additions for tax positions related to the current year	-
Additions for tax positions related to the prior year	-
Decreases for tax positions related to prior years	(464)
Balance at December 31, 2015	$ 471

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Company's consolidated financial statements. As of December 31, 2015, the Company had accrued approximately $0.2 million in interest and penalties related to unrecognized tax benefits. If the Company were to prevail on all uncertain tax positions it would not have a significant impact on the Company's effective tax rate.

It is expected that the amount of unrecognized tax benefit change within the next 12 months will not be significant.

The Company is subject to U.S. federal income tax as well as to income tax in multiple state and foreign jurisdictions.

On August 7, 2015, the Internal Revenue Service (the "IRS") began its examination of the Company's U.S. federal income tax returns for the years ended December 31, 2012 and 2013.

The Company is in various stages of examination with certain states and certain foreign jurisdictions. The 2012, 2013 and 2014 U.S. federal income tax returns are subject to examination by the IRS. State income tax returns are subject to examination for the 2011 through 2014 tax years.

16. EARNINGS PER SHARE

A reconciliation of the weighted average shares used in the basic and diluted earnings per common share computations for the years ended December 31, 2015, 2014 and 2013 is presented below (in thousands):

	2015	2014	2013
Weighted-average shares outstanding:			
Basic	188,816	167,257	166,679
Dilutive securities	3,770	7,028	6,708
Diluted	192,586	174,285	173,387

For the years ended December 31, 2015, 2014 and 2013, options and awards outstanding totaling 1.0 million shares, 0.7 million shares and 1.3 million shares respectively, were excluded from the calculations as their effect would have been antidilutive.

17. EMPLOYEE BENEFIT PLAN

Employees of the Company may participate in the Monster Beverage 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, which vest 20% each year for five years after the first anniversary date. Matching contributions were $0.7 million, $0.6 million and $0.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

18. SEGMENT INFORMATION

In the second quarter of 2015, as a result of the acquisitions and divestitures in connection with the TCCC Transaction, the Company revised its reportable segments to reflect managements' current view of the business and to align its external financial reporting with its new operating and internal financial reporting model. Historical segment information has been revised to reflect the effect of this change.

The Company has three operating and reportable segments, (i) Finished Products, which is comprised of the Company's Monster Energy® drink products (previously comprising the majority of the former Direct Store Delivery segment) ("Finished Products"), (ii) Concentrate, the principal products of which include the various energy drink brands acquired from TCCC as a result of the TCCC Transaction ("Concentrate") and (iii) Other, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand) ("Other").

The Company's Finished Products segment generates net operating revenues by selling ready-to-drink packaged energy drinks to full service beverage distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food service customers and the military.

The Company's Concentrate segment generates net operating revenues by selling "concentrates" and/or "beverage bases" to authorized bottling and canning operations. Such bottlers generally combine the concentrates and/or beverage bases with sweeteners and water, which are then filled in authorized containers bearing the Company's respective trademarks and sold to customers directly (or in some cases through wholesalers or other bottlers).

Generally, the Finished Products segment generates higher per case net operating revenues, but lower per case gross profit margins than the Concentrate segment.

Corporate and unallocated amounts that do not relate to a reportable segment have been allocated to "Corporate & Unallocated." No asset information, other than goodwill and other intangible assets, has been provided for in the Company's reportable segments as management does not measure or allocate such assets on a segment basis.

The net revenues derived from the Company's reportable segments and other financial information related thereto for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Net sales:			
Finished Products[1]	$ 2,518,505	$ 2,314,492	$ 2,094,387
Concentrate	143,282	-	-
Other	60,777	150,375	152,041
Corporate and unallocated	-	-	-
	$ 2,722,564	$ 2,464,867	$ 2,246,428

	2015	2014	2013
Operating Income:			
Finished Products[1] [2]	$ 836,053	$ 904,224	$ 728,298
Concentrate	89,841	-	-
Other[3]	165,233	7,560	(3,124)
Corporate and unallocated	(197,474)	(164,279)	(152,258)
	893,653	$ 747,505	$ 572,916

	2015	2014	2013
Income before tax:			
Finished Products[1] [2]	$ 836,429	$ 904,888	$ 729,053
Concentrate	89,825	-	-
Other[3]	165,233	7,557	(3,125)
Corporate and unallocated	(199,939)	(166,657)	(162,034)
	$ 891,548	$ 745,788	$ 563,894

(1) *Includes $62.8 million, $15.0 million and $14.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to the recognition of deferred revenue.*

(2) *Includes $224.0 million, ($0.2) million and $10.8 million for the years ended December 31, 2015, 2014 and 2013, respectively, related to distributor termination costs.*

(3) *Includes $161.5 million gain on the sale of Monster Non-Energy for the year ended December 31, 2015.*

	2015	2014	2013
Depreciation and amortization			
Finished Products	$ 21,464	$ 19,572	$ 18,888
Concentrate	3,868	-	-
Other	231	531	423
Corporate and unallocated	5,297	5,548	3,451
	$ 30,860	$ 25,651	$ 22,762

Corporate and unallocated expenses were $197.5 million for the year ended December 31, 2015 and included $109.8 million of payroll costs, of which $32.7 million was attributable to stock-based compensation expense (see Note 14, "Stock-Based Compensation"), $60.8 million of professional service expenses, including accounting and legal costs, $7.0 million of insurance costs and $19.9 million of other operating expenses. Corporate and unallocated expenses were $164.3 million for the year ended December 31, 2014 and included $86.2 million of payroll costs, of which $28.6 million was attributable to stock-based compensation expense (see Note 14, "Stock-Based Compensation"), $43.8 million of professional service expenses, including accounting and legal costs, $7.4 million of insurance costs and $26.9 million of other operating expenses. Corporate and unallocated expenses were $152.3 million for the year ended December 31, 2013 and included $82.5 million of

payroll costs, of which $28.8 million was attributable to stock-based compensation expense (see Note 14, “Stock-Based Compensation”), $38.7 million of professional service expenses, including accounting and legal costs, and $31.1 million of other operating expenses.

TCCC, through the TCCC Subsidiaries, accounted for approximately 42%, 29% and 29% of the Company’s net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

Net sales to customers outside the United States amounted to $580.3 million, $534.2 million and $467.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. Such sales were approximately 21.3%, 21.7% and 20.8% of net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

Goodwill and other intangible assets for the Company’s reportable segments as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Goodwill and other intangible assets:		
Finished Products	$ 699,346	$ 50,748
Concentrate	1,008,355	-
Other	-	18,079
Corporate and unallocated	-	-
	$ 1,707,701	$ 68,827

19. RELATED PARTY TRANSACTIONS

As a result of the TCCC Transaction, TCCC controls more than 10% of the voting interests of the Company. The TCCC Subsidiaries and certain TCCC affiliated companies (the “TCCC Affiliates”) purchase and distribute certain of the Company’s products both domestically and in certain international territories. The Company also pays TCCC a sales commission based on certain sales within the TCCC bottling network. TCCC commissions, based on sales to the TCCC Affiliates for the years ended December 31, 2015, 2014 and 2013, were $18.0 million, $1.0 million and $0.8 million, respectively. TCCC commissions, based on sales to the TCCC Subsidiaries, are accounted for as a reduction to revenue and are reported in net sales to the TCCC Subsidiaries. Net sales to the TCCC Subsidiaries for the years ended December 31, 2015, 2014 and 2013 were $1,151.7 million, $717.6 million and $650.6 million, respectively. The Company also purchases concentrates from TCCC which are then sold to both the TCCC Affiliates and the TCCC Subsidiaries. Concentrate purchases from TCCC were $16.0 million for the year ended December 31, 2015. A certain TCCC Subsidiary also contract manufactures certain of the Company’s Monster Energy® brand energy drinks. Contract manufacturing expenses were $6.9 million, $6.5 million and $6.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. Accounts receivable, accounts payable and accrued promotional allowances related to the TCCC Subsidiaries are as follows at:

	December 31, 2015	December 31, 2014
Accounts receivable, net	$ 172,201	$ 78,011
Accounts payable	$ 58,579	$ 13,738
Accrued promotional allowances	$ 27,544	$ 23,776

Two directors and officers of the Company and their families are principal owners of a company that provides promotional materials to the Company. Expenses incurred with such company in connection with

promotional materials purchased during the years ended December 31, 2015, 2014 and 2013 were $1.9 million, $0.6 million and $1.0 million, respectively.

20. SUBSEQUENT EVENTS

On February 22, 2016, the Company entered into a definitive agreement to acquire flavor supplier and long-time business partner, American Fruits & Flavors ("AFF") in a transaction that will bring the Company's primary flavor supplier in-house, secure the intellectual property of the Company's most important flavors in perpetuity and further enhance its flavor development and global flavor footprint capabilities. Pursuant to the terms of the transaction, the Company will purchase AFF for $690 million, subject to adjustments. The transaction, which is expected to close in the first quarter of 2016, is subject to customary closing conditions.

On February 24, 2016, the Company's Board of Directors authorized a repurchase program of up to $1.75 billion of the Company's outstanding common stock. In addition, there is approximately $250 million remaining available under the 2015 Share Repurchase Plan.

21. QUARTERLY FINANCIAL DATA (Unaudited)

				Net Income per Common Share	
	Net Sales	Gross Profit	Net Income	Basic	Diluted
Quarter ended:					
March 31, 2015	$ 626,791	$ 368,957	$ 4,414	$ 0.03	$ 0.03
June 30, 2015	693,722	394,508	229,004	$ 1.29	$ 1.26
September 30, 2015	756,619	465,476	174,574	$ 0.85	$ 0.84
December 31, 2015	645,432	403,360	138,741	$ 0.68	$ 0.67
	$ 2,722,564	$ 1,632,301	$ 546,733		
Quarter ended:					
March 31, 2014	$ 536,129	$ 286,818	$ 95,250	$ 0.57	$ 0.55
June 30, 2014	687,199	379,288	141,003	$ 0.84	$ 0.81
September 30, 2014	635,972	341,920	121,600	$ 0.73	$ 0.70
December 31, 2014	605,567	331,784	125,332	$ 0.75	$ 0.72
	$ 2,464,867	$ 1,339,810	$ 483,185		

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

MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013 (Dollars in Thousands)

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:				
2015	$ 1,704	$ 8,407	$ (8,863)	$ 1,248
2014	$ 2,926	$ 2,652	$ (3,874)	$ 1,704
2013	$ 1,430	$ 4,894	$ (3,398)	$ 2,926
Allowance on Deferred Tax Assets and Unrecognized Tax Benefits:				
2015	$ 19,786	$ (1,940)	$ -	$ 17,846
2014	$ 24,130	$ (4,344)	$ -	$ 19,786
2013	$ 12,579	$ 11,551	$ -	$ 24,130

Notes

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BOARD OF DIRECTORS & OFFICERS

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Chairman of the Board and
Chief Executive Officer

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Vice Chairman of the Board,
President, Chief Operating Officer,
Chief Financial Officer and Secretary

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Director, Chief Marketing Officer,
Monster Energy Company

Norman C. Epstein
Director, Former Managing Director
Cheval Property Finance, PLC

Gary P. Fayard
Director, Former Executive Vice President and
Chief Financial Officer of the Coca-Cola Company

Benjamin M. Polk
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Sydney Selati
Director, Former President
and Chairman of the Board
The Galore Group (U.S.A.), Inc.

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Chief Executive Officer, The Sage Group, LLC

Kathy N. Waller
Director, Executive Vice President and
Chief Financial Officer of the Coca-Cola Company

Registrar and Transfer Agent

American Stock Transfer & Trust Company
Brooklyn, New York

Independent Auditors

Deloitte & Touche LLP
Costa Mesa, California

General Counsel

Schulte Roth & Zabel LLP
New York, New York

Common Stock

The Company's common stock is traded on the NASDAQ Global Select Market system under the symbol MNST

Form 10-K

Interested stockholders may obtain without charge a copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission, upon written request to the Company's corporate offices

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