

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997      COMMISSION FILE NUMBER 0-18761

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

2401 EAST KATELLA AVENUE, SUITE 650  
ANAHEIM, CALIFORNIA  
(Address of principal executive offices)

92806  
(Zip Code)

(714) 634-4200  
(Registrant's telephone number, including area code)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS  
REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE  
REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) AND (2) HAS BEEN SUBJECT TO  
SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES   X   NO  
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THE REGISTRANT HAS 9,122,868 SHARES OF COMMON STOCK  
OUTSTANDING AS OF AUGUST 1, 1997

HANSEN NATURAL CORPORATION AND SUBSIDIARIES  
June 30, 1997

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 1997	December 31, 1996
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ASSETS		
CURRENT ASSETS:		
Cash	\$ 288,064	\$ 186,931
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$236,543 in 1997 and \$234,749 in 1996 and promotional allowances of \$1,062,001 in 1997 and \$926,045 in 1996)	2,023,713	944,227
Inventories	3,149,496	3,111,124
Prepaid expenses	652,303	331,869
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Total current assets	6,113,576	4,574,151
PLANT AND EQUIPMENT, net	631,075	602,272
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$2,236,640 in 1997 and \$2,089,640 in 1996)	10,356,895	10,459,144
Notes receivable from officers	71,322	70,153
Deposits and other assets	459,850	403,353
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Total intangible and other assets	10,888,067	10,932,650
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	\$ 17,632,718	\$ 16,109,073
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See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED) (CONTINUED)

	June 30, 1997	December 31, 1996
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LIABILITIES & SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 899,457	\$ 893,429

Accounts payable	3,076,912	2,139,050
Accrued liabilities	247,801	200,602
Current portion of long-term debt (net of unamortized premium of \$49,786 in 1997 and 48,541 in 1996)	512,584	4,048,541
	-----	-----
Total current liabilities	4,736,754	7,281,622
LONG-TERM DEBT	3,551,128	
SHAREHOLDERS' EQUITY:		
Common stock - \$.005 par value; 30,000,000 Shares authorized; 9,122,868 shares issued and outstanding in 1997 and 1996	45,614	45,614
Additional paid-in capital	10,847,355	10,847,355
Accumulated deficit	(1,542,381)	(2,126,100)
Foreign currency translation adjustment	(5,752)	60,582
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Total shareholders' equity	9,344,836	8,827,451
	-----	-----
	\$ 17,632,718	\$ 16,109,073
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See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 1997	THREE MONTHS ENDED JUNE 30, 1996	SIX MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1996
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NET SALES	\$ 11,496,228	\$ 10,399,155	\$ 18,615,814	\$ 17,769,736
COST OF SALES	6,791,491	6,252,600	11,027,737	10,860,553
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GROSS PROFIT	4,704,737	4,146,555	7,588,077	6,909,183
OPERATING EXPENSES:				
Selling, general and administrative	3,809,192	3,514,143	6,396,957	6,001,647
Amortization of trademark license and trademarks	73,500	124,705	147,000	250,129
Other expenses	72,991	74,291	147,135	148,582
	-----	-----	-----	-----
Total operating expenses	3,955,683	3,713,139	6,691,092	6,400,358
	-----	-----	-----	-----
OPERATING INCOME	749,054	433,416	896,985	508,825
NONOPERATING EXPENSE (INCOME):				
Net interest and financing expense	148,691	157,845	273,066	319,238
Other income		(125,793)		(232,683)
	-----	-----	-----	-----
Net nonoperating expense	148,691	32,052	273,066	86,555
	-----	-----	-----	-----
INCOME BEFORE INCOME TAX PROVISION	600,363	401,364	623,919	422,270
INCOME TAX PROVISION	37,800		40,200	2,400
	-----	-----	-----	-----
NET INCOME	\$ 562,563	\$ 401,364	\$ 583,719	\$ 419,870
	-----	-----	-----	-----
NET INCOME PER COMMON SHARE:				
Primary	\$ 0.06	\$ 0.04	\$ 0.06	\$ 0.05
	-----	-----	-----	-----
Fully diluted	\$ 0.06	\$ 0.04	\$ 0.06	\$ 0.04

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NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:				
Primary	9,214,962	9,406,004	9,195,639	9,185,944
Fully diluted	9,219,049	9,726,478	9,219,049	9,726,478

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND 1996 (Unaudited)

	1997	1996
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 583,719	\$ 419,870
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of trademark license and trademarks	147,000	250,129
Depreciation and other amortization	124,034	94,783
Loss on sale of equipment		4,730
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(1,079,485)	(772,243)
Inventories	(38,372)	(169,925)
Prepaid expenses	(320,434)	162,988
Accounts payable	937,861	361,583
Accrued liabilities	47,199	199,490
Net cash provided by operating activities	401,522	551,405
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(151,952)	(67,497)
Proceeds from sale of plant and equipment	360	68,302
Increase in trademark license	(44,750)	(23,846)
(Increase) decrease in notes receivable from officers	(1,169)	764
Increase in deposits and other assets	(56,497)	(56,717)
Net cash used in investing activities	(254,008)	(78,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	6,028	(438,591)
Increase in long-term debt	14,546	
Principal payments on long-term debt	(621)	(34,717)
Net cash provided by (used in) financing activities	19,953	(473,308)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(66,334)	(18,055)
NET INCREASE (DECREASE) IN CASH	101,133	(18,952)
CASH, beginning of period	186,931	87,916
CASH, end of period	\$ 288,064	\$ 68,964
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	\$ 225,505	\$ 224,867
Cash paid during the period for taxes	\$ 2,400	\$ 2,400

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See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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1. BASIS OF PRESENTATION

Reference is made to the Notes to Consolidated Financial Statements, in the Company's Form 10-K for the year ended December 31, 1996, which is incorporated by reference, for a summary of significant policies utilized by Hansen Natural Corporation ("Hansen" or "Company") and its subsidiaries, Hansen Beverage Company ("HBC") and CVI Ventures, Inc. ("CVI"), and its indirect subsidiary, Hansen Beverage Company (UK) Limited ("HBC (UK)"). The information set forth in these interim financial statements is unaudited and may be subject to normal year-end adjustments. The information reflects all adjustments, which include only normal recurring adjustments, which in the opinion of management are necessary to make the financial statements not misleading. Results of operations covered by this report may not necessarily be indicative of results of operations for the full fiscal year.

2. LONG-TERM DEBT

On June 30, 1997, HBC entered into a definitive agreement (the "Loan Agreement") with a bank (the "Bank") pursuant to which the Bank agreed to provide credit facilities to HBC consisting of a revolving line of credit (the "Revolver") of up to \$3,000,000 in aggregate at any time outstanding and a term loan of up to \$4,000,000 (the "Term Loan") or such lesser amount as may be necessary to retire the note payable to ERLY Industries, Inc. ("ERLY") due July 27, 1997 (the "ERLY Note"). The Term Loan will mature 60 months after the date of funding of the Term Loan. The credit facilities are secured by all of the assets of the Company and its subsidiaries, including, but not limited to, accounts receivable, inventory, machinery and equipment, as well as all trademarks, trademark licenses, formulas and recipes and other intellectual property. The credit facilities are also guaranteed by the Company, CVI and HBC (UK).

The initial proceeds received under the Revolver were used to refinance the outstanding balance due on HBC's previous line of credit. The Revolver will expire on May 1, 1998. The Company anticipates that the Revolver will be renewed on the expiration date, but there can be no assurance it will, in fact, be renewed, or if renewed, that the terms of such renewal will not be disadvantageous to HBC and its business.

On July 24, 1997, the Bank, by written letter (the "Commitment Letter"), confirmed its commitment to fund the Term Loan pursuant to HBC's instructions at any time up to August 31, 1997. On July 28, 1997, HBC tendered payment to ERLY under the ERLY Note, offsetting damages claimed by HBC in its lawsuit against ERLY. In that lawsuit, the trial court has ruled that ERLY breached certain of its obligations to HBC under the ERLY Note and the only issue remaining for determination is the amount of HBC's damages. ERLY has not responded to that tender.

In light of the conclusion of the Loan Agreement, the receipt of the Commitment Letter referred above, and management's intent to utilize the Term Loan to satisfy the ERLY Note, the Company reclassified a portion of the amount due under the ERLY Note from "current portion of long-term debt" to "long-term debt". The amount reclassified is equal to the long-

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term portion of the Term Loan, based upon the assumption that \$4,000,000 will be paid to satisfy the ERLY Note.

### 3. EARNINGS PER SHARE

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share", which is effective for financial statements for both interim and annual periods ending after December 15, 1997. Early adoption of the statement is not permitted. The Company has applied this statement to the results for the first and second quarters of 1997 and determined that the adoption of this statement would not have had a material impact on the earnings per share calculations for these periods.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### General

During the six months ended June 30, 1997, the expansion of distribution of certain of the Company's products into markets outside of California continued to contribute positively to the profitability of the Company. However, both the Company's operations in the United Kingdom and route distribution system in Southern California continued to incur losses, albeit at a lower rate than were incurred from these activities during the comparable six-month period ended June 30, 1996. During the period the Company completed the discontinuation of the operation of its route distribution system.

During late April 1997, the Company introduced a lightly carbonated Energy drink in an 8-ounce slim can and intends to introduce additional flavors and other types of beverages to complement its existing product lines consistent with the overall image of the Hansen's-Registered Trademark-brand, during 1997.

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

During the second quarter management re-evaluated the Company's warehousing, distribution and repacking arrangements. Management concluded that, in consequence of the expansion of the Company's business and increased volumes, it would be cost efficient for the Company to rent its own warehouse facility and to appoint an independent contractor to manage the warehouse facility, as well as the distribution and repacking of the Company's products. Management also determined that it would be cost efficient and beneficial for the Company's corporate offices to be relocated to such facility.

In consequence, on April 25, 1997, the Company agreed to lease approximately 66,700 square feet of warehouse space in Corona, California for use as the Company's corporate offices and the primary national warehouse, distribution and repacking center for the Company's products, for a term of eighty-nine (89) months commencing on the later of August 1, 1997 or the date on which the facility is ready for occupancy.

Concurrently, the Company agreed to sublease approximately 10,000 square feet of the space to an independent contractor for two (2) years, subject to early termination upon sixty (60) days prior written notice. It is anticipated that the Company will ultimately need to utilize this space to accommodate the expansion of its business.

In terms of a separate agreement, that independent contractor agreed to manage the warehouse facility and the distribution and repacking of the Company's products therefrom. In addition, the independent contractor will utilize its sublet space to repack products for other customers whose products are not directly competitive with the Company's products. As a result, it will not be necessary for the Company to employ additional personnel to manage the warehouse facility and the distribution of its

products.

Under the terms of the lease, the landlord has agreed to pay for the construction of office facilities and certain other improvements. It is anticipated that the Company will move its warehouse, distribution and repacking operations to the Corona, California site from a temporary site leased from the same landlord, in September 1997 and will move its corporate offices in January 1998.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 1997 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 1996

NET SALES. For the three-month period ended June 30, 1997, net sales were approximately \$11.5 million, an increase of \$1.1 million or 10.5% over the \$10.4 million net sales for the three-month period ended June 30, 1996. The increase in net sales was attributable to increased sales of Hansens's-Registered Trademark- fruit juice Smoothies, increased sales of Hansens's-Registered Trademark- apple juice and sales of Hansens's-Registered Trademark- Energy drink, which was introduced during the second quarter of 1997. The increase in net sales was partially offset by a decrease in net sales of soda and the discontinuance of distribution of Equator-Registered Trademark- products in certain markets. Sales of iced teas, lemonades and juice cocktails were about the same as in the comparable period in 1996.

GROSS PROFIT. Gross profit was \$4.7 million for the three-month period ended June 30, 1997, an increase of \$558,000 or 13.5% over the \$4.1 million gross profit for the three-month period ended June 30, 1996. Gross profit as a percentage of net sales increased to 40.9% for the three-month period ended June 30, 1997 from 39.9% for the three-month period ended June 30, 1996. The increase in gross profit was primarily attributable to increased net sales and higher margins achieved. The increase in gross profit as a percentage of net sales was primarily attributable to higher margins achieved as a result of a change in the Company's product mix.

TOTAL OPERATING EXPENSES. Total operating expenses were \$4.0 million for the three-month period ended June 30, 1997, an increase of \$242,000 or 6.5% over total operating expenses of \$3.7 million for the three-month period ended June 30, 1996. However, total operating expenses as a percentage of net sales decreased to 34.4% for the three-month period ended June 30, 1997 from 35.7% for the three-month period ended June 30, 1996. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses which was partially offset by a decrease in amortization of trademark license and trademarks. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in operating expenses from the comparable period in 1996.

Selling, general and administrative expenses were \$3.8 million for the three-month period ended June 30, 1997, an increase of \$295,000 or 8.4% over selling, general and administrative expenses of \$3.5 million for the three-month period ended June 30, 1996. However, selling, general and administrative expenses as a percentage of net sales decreased to 33.1% for the three-month period ended June 30, 1997 from 33.8% for the three-month period ended June 30, 1996. The increase in selling expenses was primarily attributable to increases in distribution, advertising and other promotional expenditures, and costs of promotional materials. The increase in general and administrative expenses was primarily attributable to increased professional and legal fees incurred in connection with the Company's claim against ERLY, increased costs in connection with the development of and support for new products and increased payroll costs in connection with the Company's expansion activities into additional states.

Amortization of trademark license and trademarks was approximately \$74,000 for the three-month period ended June 30, 1997, a decrease of \$51,000 from the \$125,000 for the three-month period ended June 30, 1996. This decrease is attributable to the change in the amortization period from 25 years to 40 years as more fully described in Note 1 in the Company's Form

10-K for the year ended December 31, 1996.

OPERATING INCOME. Operating income was \$749,000 for the three-month period ended June 30, 1997 compared to operating income of \$433,000 for the three-month period ended June 30, 1996. The

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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\$316,000 increase in operating income was attributable to a \$558,000 increase in gross profit which was partially offset by an increase of \$242,000 in operating expenses.

NET NONOPERATING EXPENSE. Net nonoperating expense was \$149,000 for the three-month period ended June 30, 1997, which was \$117,000 higher than net nonoperating expense of \$32,000 for the three-month period ended June 30, 1996. Net nonoperating expense for the three-month period ended June 30, 1997 consists of net interest and financing expense. Net nonoperating expense for the three-month period ended June 30, 1996 consists of net interest and financing expense and other income. Interest and financing expense for the three-month period ended June 30, 1997 was \$149,000 compared to \$158,000 for the three-month period ended June 30, 1996. The decrease in net interest and financing expense was attributable to the decrease in the amortization of certain capitalized financing costs incurred in connection with the securing of the Company's existing revolving line of credit in August 1995, which were fully amortized in the third quarter of 1996, and lower average short-term borrowings during the three-month period ended June 30, 1997 than during the comparable three-month period in 1996. Other income for 1996 consisted of \$126,000 of income from the recovery under the Hawaiian Water Partners note described in Note 3 in the Company's Form 10-K for the year ended December 31, 1996.

NET INCOME. Net income was \$562,000 for the three-month period ended June 30, 1997 compared to net income of \$401,000 for the three-month period ended June 30, 1996. The \$161,000 increase in net income for this period consists of an increase in operating income of \$316,000 which was partially offset by an increase of \$117,000 in net nonoperating expense and a provision for income taxes of \$38,000.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 1997 COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 1996

NET SALES. For the six-month period ended June 30, 1997, net sales were approximately \$18.6 million, an increase of \$846,000 or 4.8% over the \$17.8 million net sales for the six-month period ended June 30, 1996. The increase in net sales was attributable to increased sales of Hansens's-Registered Trademark-fruit juice Smoothies, increased sales of Hansens's-Registered Trademark- apple juice and sales of Hansens's-Registered Trademark- Energy drink, which was introduced during the second quarter of 1997. The increase in net sales was partially offset by a decrease in net sales of soda, iced teas, lemonades and juice cocktails and the discontinuance of distribution of Equator-Registered Trademark- products in certain markets.

GROSS PROFIT. Gross profit was \$7.6 million for the six-month period ended June 30, 1997, an increase of \$679,000 or 9.8% over the \$6.9 million gross profit for the six-month period ended June 30, 1996. Gross profit as a percentage of net sales increased to 40.8% for the six-month period ended June 30, 1997 from 38.9% for the six-month period ended June 30, 1996. The increase in gross profit was primarily attributable to increased net sales and higher margins achieved. The increase in gross profit as a percentage of net sales was primarily attributable to higher margins achieved as a result of a change in the Company's product mix.

TOTAL OPERATING EXPENSES. Total operating expenses were \$6.7 million for the six-month period ended June 30, 1997, an increase of \$291,000 or 4.5% over total operating expenses of \$6.4 million for the six-month period ended June 30, 1996. However, total operating expenses as a percentage of net sales decreased to 35.9% for the six-month period ended June 30, 1997 from 36.0% for the six-month period ended June 30, 1996. The



increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses which was partially offset by decreases in amortization of trademark license and trademarks. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in operating expenses from the comparable period in 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Selling, general and administrative expenses were \$6.4 million for the six-month period ended June 30, 1997, an increase of \$395,000 or 6.6% over selling, general and administrative expenses of \$6.0 million for the six-month period ended June 30, 1996. Selling, general and administrative expenses as a percentage of net sales increased to 34.4% for the six-month period ended June 30, 1997 from 33.8% for the six-month period ended June 30, 1996. The increase in selling expenses was primarily attributable to increases in distribution, advertising and other promotional expenditures and costs of promotional materials. The increase in general and administrative expenses was primarily attributable to increased professional and legal fees incurred in connection with the Company's claim against ERLY, increased costs in connection with the development of and support for new products and increased payroll costs in connection with the Company's expansion activities into additional states.

Amortization of trademark license and trademarks was approximately \$147,000 for the six-month period ended June 30, 1997, a decrease of \$103,000 from the \$250,000 for the six-month period ended June 30, 1996. This decrease is attributable to the change in the amortization period from 25 years to 40 years as more fully described in Note 1 in the Company's Form 10-K for the year ended December 31, 1996.

OPERATING INCOME. Operating income was \$897,000 for the six-month period ended June 30, 1997 compared to operating income of \$509,000 for the six-month period ended June 30, 1996. The \$388,000 increase in operating income was attributable to a \$679,000 increase in gross profit which was partially offset by an increase of \$291,000 in operating expenses.

NET NONOPERATING EXPENSE. Net nonoperating expense was \$273,000 for the six-month period ended June 30, 1997, which was \$186,000 higher than net nonoperating expense of \$87,000 for the six-month period ended June 30, 1996. Net nonoperating expense for the six months ended June 30, 1997 consists of net interest and financing expense. Net nonoperating expense for the six months ended June 30, 1996 consists of interest and financing expense and other income. Net interest and financing expense for the six-month period ended June 30, 1997 was \$273,000 compared to \$319,000 for the six-month period ended June 30, 1996. The decrease in net interest and financing expense was attributable to the decrease in the amortization of certain capitalized financing costs incurred in connection with the securing of the Company's existing revolving line of credit in August 1995, which were fully amortized in the third quarter of 1996, and lower average short-term borrowings during the six-month period ended June 30, 1997 than during the comparable six-month period in 1996. Other income for 1996 consisted of \$233,000 of income from the recovery under the Hawaiian Water Partners note described in Note 3 in the Company's Form 10-K for the year ended December 31, 1996.

NET INCOME. Net income was \$584,000 for the six-month period ended June 30, 1997 compared to net income of \$420,000 for the six-month period ended June 30, 1996. The \$164,000 increase in net income for this period consists of an increase in operating income of \$388,000 which was partially offset by an increase of \$186,000 in net nonoperating expense and a provision for income taxes of \$38,000.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 1997, the Company had working capital of \$1,376,822 compared to a working capital deficit of \$2,707,471 as of December 31, 1996. The increase in working capital was primarily attributable to the reclassification of the amount due under the ERLY Note from current portion

of long-term debt to long-term debt, as explained above in Note 2 to the Company's unaudited financial statements for the period ended June 30, 1997, and partially attributable to net income earned, after

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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adjustments for certain noncash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, during the six-month period ended June 30, 1997.

As explained in Note 2 to the Company's unaudited financial statements for the period ended June 30, 1997, HBC obtained a revolving line of credit of up to \$3 million in aggregate at any time outstanding. The line of credit is secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. The initial use of proceeds under this line of credit was to refinance HBC's previous line of credit. The line of credit is subject to renewal on the maturity date. As of June 30, 1997, \$890,414 was outstanding under this line of credit.

During the first and second quarters of 1997, HBC utilized a portion of the then existing line of credit, together with its own funds, for working capital and to finance its expansion and development plans. Purchases of inventory and financing of accounts receivable, as well as HBC's expansion and development plans, have been, and for the foreseeable future, are expected to remain, HBC's principal recurring use of working capital funds.

Also, as explained in Note 2, HBC obtained a commitment for a Term Loan, the proceeds of which will be used for the repayment of principal on the ERLY Note.

In the event that funding of the Term Loan does not occur by August 31, 1997, and the bank does not extend its commitment to fund the same thereafter, it will be necessary for management to secure alternative financing to enable HBC to meet its obligations under the ERLY Note. There can be no assurance that any replacement financing, if required, can be completed prior to the due date for payment of the ERLY Note or, if completed, that the terms of any such financing will not be disadvantageous to HBC and its business.

The obligations of HBC under certain consulting agreements entered into in connection with the acquisition of the Hansen Business terminated on July 27, 1997.

Management believes that cash available from operations, current cash resources and the Revolver, will be sufficient for its working capital needs, including its purchase commitments for raw materials, through June 30, 1998.

Although the Company has no current plans to incur any material capital expenditures, management, from time to time, considers the acquisition of capital equipment, businesses compatible with the image of the Hansen's-Registered Trademark- brand and the introduction of new product lines. The Company may require additional capital resources in the event of any such transaction, depending upon the cash requirements relating thereto. Any such transaction will also be subject to the terms and restrictions of HBC's credit facility.

FORWARD LOOKING STATEMENTS

Certain statements made in this Report, including certain statements made in this Management's Discussion and Analysis, contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding the expectations of management with respect to revenues, profitability, refinancing of the ERLY Note, adequacy of funds from operations and the Company's existing credit facility, among other things.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management cautions that these statements are qualified by their terms and/or important factors, many of which are outside of the control of the Company, that could cause actual results and events to differ materially from the statements made herein, including, but not limited to, the following: changes in consumer preferences, changes in demand that are weather related, particularly in areas outside of California, competitive pricing pressures, changes in the price of the raw materials for the Company's beverage products, the marketing efforts of the distributors of the Company's products, most of which distribute products that are competitive with the products of the Company, as well as unilateral decisions that may be made by grocery chain stores, specialty chain stores and club stores to discontinue carrying all or any of the Company's products that they are carrying at any time. Management further notes that the Company's plans and results may be affected by the terms of the Company's credit facilities and the actions of its creditors and the court's final adjudication of damages in the ERLY litigation.

INFLATION

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

PART II - OTHER INFORMATION

- Items 1-5. Non Applicable
Item 6. Exhibits and Reports on Form 8-K
(a) Exhibits - See Exhibit Index.
(b) Reports on Form 8-K - None

SIGNATURES

Pursuant of the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HANSEN NATURAL CORPORATION
Registrant

Date: August 8, 1997

By: RODNEY SACKS
Rodney C. Sacks
Chairman of the Board
and Chief Executive Officer;
Principal Financial Officer

INDEX TO EXHIBITS

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

Exhibit No. -----	Document Description -----
Exhibit 10 (uu)	Standard Industrial Lease Agreement
Exhibit 10 (vv)	Sublease Agreement
Exhibit 27	Financial Data Schedule

STANDARD INDUSTRIAL LEASE

Dated (for reference) as of April 25, 1997

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

TENANT: Hansen Beverage Company  
a Delaware Corporation

LANDLORD: 27 Railroad Partnership L.P.  
a California limited partnership

TENANT'S ADDRESS: 2401 East Katella  
Avenue  
Anaheim, CA 92806

LANDLORD'S ADDRESS: c/o Investment  
Building Group  
4100 Newport Place, Suite 750  
Newport Beach, CA 92660

DESCRIPTION OF THE PREMISES:

FLOOR AREA OF IMPROVEMENTS: Approximately 66,700 square feet indicated on Exhibit "A". including +- 3,400 square feet of mezzanine office

Street Address: 2378 Railroad Street, Corona, California 91720

Term: Eighty-nine (89) months

Commencement Date: August 1, 1997

Rent: Fifteen thousand dollars (\$15,000) per month  
(see paragraph 39).

Taxes, Insurance and Maintenance Reserve Deposit: \$3,270 per month

Security Deposit: \$25,000; first month's rent to be prepaid at execution hereof  
(see paragraph 40)

Insurance Amounts: Bodily Injury per Person Three million dollars  
(\$3,000,000)  
Bodily Injury per Occurrence Three million dollars  
(\$3,000,000)  
Property Damage One million dollars  
(\$1,000,000)

Tenant Improvement Plans (approved by Tenant and Landlord): See paragraph 41

Tenant's Construction Representative: Rodney Sacks

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

Tenant's Share (if multi-tenant) of: Real Property Taxes 43.2%  
Insurance Expenses 43.2%  
Maintenance Expenses 43.2%

2. PREAMBLE. Landlord hereby leases to Tenant, and Tenant hereby leases and accepts from Landlord, that certain real property, building area, and Tenant Improvements more particularly described in Paragraph 1 (the "Premises") for the Term and upon the covenants and conditions hereinafter specified.

3. CONSTRUCTION AND COMMENCEMENT.

3.1 CONSTRUCTION. Landlord shall construct or cause to be constructed the building and improvements substantially in accordance with the Tenant Improvement Plans. The Premises shall be ready for occupancy on the date upon which the work of construction to be undertaken by Landlord has been substantially completed ("Ready for Occupancy") as determined by the issuance of a written certificate by Landlord to Tenant certifying (a) that the improvements have been substantially completed in accordance with the Tenant Improvement Plans, and (b) the date of such completion. Landlord shall complete, as soon as reasonably possible, any items of work or adjustment not completed when the Premises are Ready for Occupancy and such defective or omitted work undertaken by Landlord of which Tenant has given Landlord written notice within thirty (30) days after the date the Premises are Ready for Occupancy. The Premises shall be Ready for Occupancy not later than the Commencement Date; provided, however, that the Commencement Date may be

extended for a period of time equal to the period of any delay encountered by Landlord affecting said work of construction because of fire, inclement weather, acts of God, riot, governmental regulations, strikes, shortages of material or labor, changes in the Tenant Improvement Plans, or any other cause beyond the reasonable control of Landlord.

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

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

#### 5. DEPOSITS.

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

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

#### 6. USE.

6.1 USE. The Premises shall be used and occupied only for the uses stated

in Paragraph 1.

NET NET NET

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

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

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

#### 7. MAINTENANCE, REPAIRS AND ALTERATIONS.

7.1 TENANT'S OBLIGATIONS. Subject to Paragraph 7.3 below, Tenant shall keep in good order, condition and repair, the Premises and every part thereof, structural and non-structural, and all adjacent sidewalks, landscaping, driveways, parking lots, and fences located in the areas which are adjacent to and included with the Premises. At the cost and expense of Tenant, the landscaping shall be maintained by a professional gardener and the exterior of the building shall be repainted at least once every six (6) years.

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

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

7.4 LANDLORD'S OBLIGATIONS. Except for the repair of any latent

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

#### 7.5 ALTERATIONS AND ADDITIONS.

(a) Tenant shall not without Landlord's prior written consent, make any alterations, improvements, additions or Utility Installations which for non-structural alterations and utility installations shall not be unreasonably withheld in, on or about the Premises, except for non-structural alterations not exceeding ten thousand dollars (\$10,000.00) during the Term of this Lease. As used in this Paragraph 7.5, the term "Utility Installations" shall include carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air-conditioning, plumbing, and fencing. Landlord may require that Tenant remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the Term, and restore the Premises to their prior condition. Landlord may require Tenant to provide Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Landlord against any liability for mechanic's and materialmen's liens and to insure completion of work. Should Tenant make any alterations, improvements, additions or Utility Installations without the prior approval of Landlord, Landlord may require that Tenant remove any or all of the same.

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

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

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

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

#### 8. INSURANCE, INDEMNITY.

8.1 COVERAGE. The following insurance and any additional insurance coverage that may be required by law, holders of mortgages or deeds of trust shall be carried protecting Landlord and the holders of any mortgages or



deeds of trust covering the Premises. Any insurance policies provided by Tenant shall provide that such policies are primary and non-contributing with any insurance carried by the Landlord.

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

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

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

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

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

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

8.4 WAIVER OF SUBROGATION. Tenant and Landlord each hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against hereunder, which perils occur in, on or about the Premises, whether due to the negligence of Tenant or Landlord or their agents, employees, contractors and/or invitees. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

8.5 INDEMNITY. Tenant shall indemnify and hold harmless Landlord from and against any and all claims arising from Tenant's use of the Premises, or from the conduct of Tenant's business or from any activity, work or things done,

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

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

#### 9. DAMAGE OR DESTRUCTION.

9.1 PARTIAL DAMAGE - INSURED. Subject to the provisions of Paragraphs 9.3 and 9.4, if the Premises are damaged and such damage was caused by a casualty covered under an insurance policy, Landlord shall, or at Landlord's option, Tenant shall repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If the insurance proceeds received by Landlord are not sufficient to effect such repair and such insufficiency is not due to an insufficient policy coverage amount, and Landlord elects to repair, Tenant shall pay to Landlord upon demand any costs incurred by Landlord not fully covered by insurance proceeds. If Tenant repairs the damage, Landlord shall reimburse Tenant for the costs of repair to the extent of insurance proceeds received by Landlord. Insurance claim shortfalls greater than \$25,000 per occurrence for capital repairs/replacements may, at Tenant's election, be amortized over the life of the capital asset as determined by Generally Accepted Accounting Practices 10% annual interest and paid as additional rent over the remainder of the Term.

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

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

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

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

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

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

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#### 10. REAL PROPERTY TAXES.

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

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

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

10.4 PERSONAL PROPERTY TAXES. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises or elsewhere.

When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

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

12. ASSIGNMENT AND SUBLETTING.

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

12.2 NO RELEASE OF TENANT. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

12.3 RECAPTURE OF PREMISES. In connection with any proposed assignment or sublease of the entire Premises, Tenant shall submit to Landlord in writing (a) the name of the proposed assignee or sublessee, (b) such information as to its financial responsibility and standing as Landlord may reasonably require, and (c) all of the terms and conditions upon which the proposed assignment or subletting is to be made. Landlord shall have an option to cancel and terminate this Lease with respect to the Premises which is to be assigned or sublet. Landlord may exercise said option in writing within thirty (30) days after its receipt from Tenant of such request to assign or sublease the Premises. If Landlord shall exercise its option, Tenant shall surrender possession of the entire Premises.

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

13. DEFAULTS; REMEDIES.

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

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

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

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than described in Paragraph 13.1(b), where such failure shall continue

for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

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

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

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

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

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

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

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

13.4 LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Premises.

Accordingly, if any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five business (5) days after such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

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

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

16. ESTOPPEL CERTIFICATE.

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

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

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

17. LANDLORD'S LIABILITY. Whenever Landlord conveys its interest in the

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

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

19. INTEREST ON PAST-DUE OBLIGATIONS. Except as expressly herein provided, any amount due to Landlord not paid when due shall bear interest at the lesser of twelve percent (12%) or the maximum rate then allowable by law from the date due. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

20. TIME OF ESSENCE. Time is of the essence.

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

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

23. NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service or by certified mail, return receipt requested. Notice by certified mail shall be deemed served on the date of delivery as shown on the postal receipt. Either party may by notice to the other specify a different address for notice purposes, except that, upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes. A copy of all notices to be given to Landlord hereunder shall be concurrently transmitted by Tenant to such party or parties at such addresses as Landlord may hereafter designate by notice to Tenant.

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

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

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

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

28. COVENANTS AND CONDITIONS. Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

29. BINDING EFFECT; CHOICE OF LAW. Subject to the provisions of Paragraphs 12 and 17, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. This Lease shall be governed by the laws of the State of California.

30. SUBORDINATION.

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

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

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

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

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

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

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

36. EASEMENTS, BOUNDARY CHANGES. Landlord reserves to itself the right, from time to time, to grant such easements, rights, dedications and enact boundary and common area configuration adjustments that Landlord deems necessary or desirable and to cause the recordation of parcel maps and restrictions, so long as they do not unreasonably interfere with the use of the Premises by



Tenant. Tenant shall sign any of the aforementioned documents upon request of Landlord and failure to do so shall constitute a breach of this Lease by Tenant.

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

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

See addendum for paragraphs 39 through 45.

The Parties hereto have executed this Lease on the dates immediately above their respective signatures.

Dated: April 25, 1997

Hansen Beverage Company  
a Delaware corporation

By: /s/ Rodney C. Sacks

Its: Chairman

By:

Its:

Dated: \_\_\_\_\_

27 Railroad Partnership L. P.  
a California limited partnership

By: Investment Building Group,  
a California corporation,  
general partner

By: \_\_\_\_\_

Jack M. Langson, president

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ADDENDUM TO STANDARD INDUSTRIAL LEASE  
DATED APRIL 25, 1997 BY AND BETWEEN  
27 RAILROAD PARTNERSHIP L.P. ("LANDLORD") AND  
HANSEN BEVERAGE COMPANY ("TENANT")

39. RENT INCREASES. The Rent as called for in Paragraph 1 shall commence at fifteen thousand dollars (\$15,000) per month. The Rent shall be increased periodically according to the following schedule:

Months	Monthly Rental
1 through 5	\$15,000
6 through 24	\$23,200
25 through 45	\$24,700
46 through 69	\$25,900
70 through 89	\$27,200

40. ADDITIONAL SECURITY DEPOSIT. As additional Security Deposit, Tenant will, during months 4 through 28 of the Term, provide in favor of Landlord an unconditional, irrevocable standby letter of credit, available to Landlord's drafts at sight, drawn on a major bank in the amount of fifty thousand dollars (\$50,000) ("Additional Security Deposit"). Such Additional Security Deposit shall be submitted to Landlord in a form satisfactory to Landlord prior to the commencement of the construction of the additional office improvements contemplated in Paragraph 41 below. If the letter of credit is issued for less than the 24 month period as shown above, Tenant shall replace the letter of credit prior to its expiration. Any draws on the letter of credit shall become a cash Security Deposit only and be governed by the provisions of Paragraph 5.2 and shall not be considered payments for amounts due nor shall such draws cure any prior defaults. If Tenant cures the default and pays the amount of any prior draw so that all Tenant's defaults are cured, Landlord shall upon written request from Tenant return the balance of the Security Deposit to Tenant provided Tenant shall again provide to Landlord the letter of credit in an amount as outlined above.

41. TENANT IMPROVEMENT ALLOWANCE. Landlord shall provide a tenant improvement allowance (the "Improvement Allowance") in the amount of two hundred and ten thousand dollars (\$210,000) for the design and construction, etc., of additional offices and other improvements as outlined in Exhibit "B" or any other improvement approved by Landlord ("Improvements") as well as for payment of any upgrade costs that may be incurred toward initial 1,800 sq. ft. of existing office space over the specified allowances and rates provided therefore. In the event that the Improvements cost more than the Improvement Allowance, Tenant shall have the right to reduce the Improvements to limit the cost to the Improvement Allowance; or, alternatively, Tenant shall pay to Landlord on demand the cost of the Improvements above the Improvement Allowance. If Tenant does not pay to Landlord the extra costs above the Improvement Allowance or notify Landlord of the items to be eliminated within ten (10) days of written notice from Landlord, Landlord may in its sole discretion eliminate items to bring the budget within the Improvement Allowance and proceed with the construction of the Improvements as revised. In no event shall commencement of Rent be delayed due to any delay in completion of the tenant improvement items. Up to ten percent (10%) of any Improvement Allowance unspent after the first year of the Term may be applied toward the Rent.

Tenant shall provide Landlord with the mutually acceptable office tenant improvement plan on or before September 15, 1997 and Landlord shall cause the construction of the additional offices to be completed no later than January 31, 1998.

42. RENT WAIVER. Landlord hereby grants a rent waiver to Tenant in the amount of sixty thousand dollars (\$60,000) to be applied toward the Rent due under this Lease as follows:

Months 1 - 6	\$6,000 per month
Months 7 - 12	\$4,000 per month

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In the event of a default as defined in paragraph 13 of the Lease and the Lease is not reinstated within sixty (60) days of such occurrence, the rent waiver shall automatically be deemed deleted from this Lease and of no further force and effect, and any portion theretofore previously credited against the Rent shall be immediately due and payable by Tenant to Landlord and recoverable by Landlord as additional rent due under this Lease.

43. ADDITIONAL IMPROVEMENTS TO BE INSTALLED BY LANDLORD. Landlord shall, prior to occupancy by an adjoining tenant, construct the required full height demising wall to partition the Premises.

44. FENCING OF VEHICLES ON SITE. Subject to Landlord's reasonable approval on scope and configuration and Tenant compliance with other governmental codes, Tenant shall be permitted to erect fences in the paved areas onsite adjacent to the Premises for the purposes of vehicular security.

45. INITIAL PREMISES SPECIFICATION: The Premises include approximately 1,800 sq. ft. of HVAC office space with "bonus" structural mezzanine above. At Landlord's expense the Premises shall be modified from the existing construction plans to include a total of ten (10) dock high loading doors.

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EXHIBIT "A" - PREMISES

[map]

\* Exact separation wall location subject to minor adjustment.

OWNER/DEVELOPER  
Investment Building Group  
500 N. State College Boulevard  
Suite 525  
Orange, California 92668  
(714) 634-1111

EXHIBIT "B"

Tenant Improvements  
and  
Cost Estimates

Item	Budget Estimate
----	-----
Partition existing offices	\$ 12,000
Build +- 1,600 sq. ft. of additional mezzanine	17,000
Add two stairways	5,000
Add +- 5,000 sq. ft. office	150,000
Add shop restrooms	15,000
Architectural/Engineering plans and permits	11,000
	-----
Total	\$210,000
	-----
	-----

SUBLEASE

1. PARTIES

This Sublease, dated April 25, 1997, is made between Hansen Beverage Company ("Sublessor") and U.S. Continental Packaging, Inc. ("Sublessee").

2. MASTER LEASE

Sublessor is the lessee under a written lease dated April 25, 1997, wherein 27 Railroad Partnership LP, a California Limited Partnership leased to Sublessor the real property measuring approximately 66,700 square feet in aggregate and situated at 2378 Railroad Street, Corona, California 91720, as indicated on Exhibit A (the "Master Premises"). Said lease is herein referred to as the "Master Lease" and is attached hereto as Exhibit B.

3. PREMISES

Sublessor hereby sublets to the Sublessee on the terms and conditions set forth in this Sublease, a portion of the Master Premises measuring approximately 10,000 square feet and being the area identified in red on Exhibit A hereto (the "Premises"). It is recorded that the Master Premises is the Facility contemplated in clause 3(a) of the Packaging Agreement between the Sublessor and Sublessee dated April 14, 1997 (the "Packaging Agreement").

4. TERM

The Term of this Sublease shall commence on the commencement date of the Master Lease and continue for a period of twenty-four (24) months thereafter (the "Term") unless sooner terminated in accordance with the provisions of this Sublease. Possession of the Premises ("Possession") shall be delivered to the Sublessee on the commencement of the Term. If, for any reason, Sublessor does not deliver Possession to Sublessee on the commencement of the Term, Sublessor shall not be subject to any liability for such failure or delay.

Notwithstanding anything to the contrary contained or implied in this sublease and, in particular, clause 4, the Sublessor shall have the right at any time to terminate this Sublease on sixty (60) days written notice to the Sublessee and which notice may be given by the Sublessor at any time, in the event that the Premises are required for the Sublessor's products.

5. RENT

5.1 MINIMUM RENT. Sublessee shall pay to Sublessor as Minimum Rent, without deduction, setoff, notice, or demand, at the Premises or at such other place as Sublessor shall designate from time to time by notice to Sublessee, a sum calculated by dividing the area of the Premises occupied by the Sublessee by the total area of the Master Premises and by multiplying the result by the monthly Rent for the Master Premises. The monthly rent for the Master Premises shall

include all additional costs and charges for which the Sublessor is liable in terms of the Master Lease and which constitute additional rent and which shall be taken into account for the purposes of determining the Minimum Rent payable by the Sublessee to the Sublessor in terms hereof. In determining the monthly rent for the Master Premises the rent waiver contemplated in Clause 42 of the Master Lease shall not constitute a reduction in the rent payable for the months in which it is deducted or waived but shall be amortized over the entire term of the Master Lease namely, eighty-nine (89) months. Consequently, in calculating the monthly rent for the Master Premises for the purposes of this clause, such rental shall be deemed to be reduced by \$674 per month in consequence of the rent waiver contemplated in Clause 42 of the Master Lease. Sublessee's entitlement to a reduction in the Minimum Rent through its proportionate share of the rent waiver calculated in accordance with the foregoing shall

be subject to Sublessee not defaulting in any of its obligations in terms of this Sublease. For the first six (6) months of this sublease the Minimum Rent calculated in terms of the above shall be increased by \$700 per month. The Minimum Rent shall be paid in advance on the first day of each month of the Term. If the Term begins or ends on a day other than the first or last day of a month, the rent for the partial month shall be prorated on a per day basis.

5.2 OPERATING COSTS. As the Master Lease requires the Sublessor to pay to Lessor certain expenses of operating the building and/or the project of which the Premises are a part ("Operating Costs"), including but not limited to taxes, utilities, and insurance, the Sublessee hereby agrees to and shall pay to the Sublessor as additional rent its proportionate share of all amounts payable by Sublessor for Operating Costs during the Term. Such additional rent shall be payable as and when the Operating Costs are payable by Sublessor to Lessor. As the Master Lease provides for payment by Sublessor to Lessor of Operating Costs from month to month on the basis of estimates thereof, as and when adjustments are made between estimated and actual Operating Costs under the Master Lease, the obligations of Sublessee hereunder shall be adjusted appropriately and if any such adjustment shall occur after the expiration or earlier termination of the Term, then the obligations of Sublessee under this Subsection 5.2 shall survive such expiration or termination. Sublessor shall, upon request by Sublessee, furnish Sublessee with copies of all statements submitted by Lessor of actual or estimated Operating Costs during the Term.

6. USE OF PREMISES

The Premises shall be used and occupied only for warehousing, packaging and distribution of consumer products and corporate offices, and for no other use or purpose.

7. ASSIGNMENT AND SUBLETTING

Sublessee shall not assign the Sublease or further sublet all or any part of the Premises without the prior written consent of Sublessor (and the consent of Lessor, if such is required under the terms of the Master Lease).

8. OTHER PROVISIONS OF SUBLEASE

All applicable terms and conditions of the Master Lease and any subsequent amendment or change in the provisions thereof, are incorporated into and made a part of this Sublease as if Sublessor were the lessor thereunder and Sublessee the lessee thereunder, and the Premises the Master Premises. Sublessee assumes and agrees to perform the lessee's obligations under the Master Lease during the Term to the extent that such obligations are applicable to the Premises, except that the obligation to pay rent to the Lessor under the Master Lease shall be considered performed by Sublessee for purposes of this Sublease to the extent and in the amount rent is paid to Sublessor in accordance with Section 5 of this Sublease. Neither Sublessor nor Sublessee shall commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublessor shall exercise due diligence in attempting to cause Lessor to perform its obligations under the Master Lease for the benefit of Sublessee. If the Master Lease terminates, this Sublease shall terminate and the Sublessee shall have no further occupancy or other rights to the Premises and shall immediately vacate the Premises. Upon such vacation of the Premises, the parties shall be relieved of any further liability or obligation under this Sublease, provided however, that if the Master Lease terminates as a result of a default or breach by Sublessor or Sublessee under this Sublease and/or the Master Lease, then the defaulting party shall be liable to the nondefaulting party for the damage suffered as a result of such termination. Notwithstanding the foregoing, if the Master Lease gives Sublessor any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Master Premises or the building or project of which the Master Premises are a part, the exercise of such right by Sublessor shall not constitute a default or breach hereunder. This Sublease shall at all times be subject and subordinate to the Master Lease and any other instruments which the

Master Lease is or may become subordinate to.

9. It is expressly recorded that all electrical and other costs of operating all and any equipment for the activities of the Sublessee in the Premises, including activities performed by it for and on behalf of or for the benefit of the Sublessor, shall be borne and paid for in full by the Sublessee. The Sublessee shall procure that such electrical costs are separately metered. It is further expressly recorded that all the terms of the Packaging Agreement between the Sublessor and the Sublessee, excluding the provisions of paragraph 3 thereof which are dealt with in this Sublease and shall be governed hereby, shall continue to apply as between the parties and be of full force and effect. In the event of the termination of the Packaging Agreement at any time, the Sublessor or Sublessee shall have the right to summarily terminate this Sublease irrespective of whether or not there shall have been any breach by the Sublessor or Sublessee under this Sublease, the intention of the parties being that if the Packaging Agreement between the parties is no longer operative or of force and effect, then this Sublease shall simultaneously no longer be operative or of force or effect.

10. ATTORNEYS' FEES

If Sublessor or Sublessee shall commence an action against the other arising out of or in connection with this Sublease, the prevailing party shall be entitled to recover its costs of suit and reasonable attorney's fees.

11. NOTICES

All notices and demands which may or are to be required or permitted to be given by either party on the other hereunder shall be in writing. All notices and demands by the Sublessor to the Sublessee shall be sent by United States Mail, postage prepaid, addressed to the Sublessee at the Premises or delivered by hand. All notices by the Sublessee to the Sublessor shall be sent by United States Mail, postage prepaid, addressed to the Sublessor at the Master Premises or delivered by hand or to such other address as the Sublessor may from time to time advise the Sublessor by written notice.

12. CONSENT BY LESSOR

THIS SUBLEASE SHALL BE OF NO FORCE OR EFFECT UNLESS CONSENTED TO BY THE LESSOR, IF SUCH CONSENT IS REQUIRED UNDER THE TERMS OF THE MASTER LEASE.

13. COMPLIANCE

The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1965 Civil Rights Act and all amendments thereto, the Foreign Investment In Real Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.

Sublessor:	Sublessee:
-----	-----
By: /s/ Rodney Sacks	By: /s/ David Williams
-----	-----
Title: Chairman	Title: President
-----	-----
By:	By:
-----	-----
Title:	Title:
-----	-----
Date: 4/25/97	Date: 4/25/97
-----	-----

LESSOR'S CONSENT TO SUBLEASE

The undersigned ("Lessor"), landlord under the Master Lease, hereby consents to the foregoing Sublease without waiver of any restriction in the Master Lease concerning further assignment or subletting. Lessor certifies that, as of the date of Lessor's execution hereof, Sublessor is not in default or breach of any of the provisions of the Master Lease, and that the Master Lease has not been amended or modified except as expressly set forth in the foregoing Sublease.

Lessor:

27 Railroad Partnership L.P.,  
a California partnership

By: Investment Building Group,  
a California corporation,  
General Partner

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

CONSULT YOUR ADVISORS - This document has been prepared for approval by your attorney. No representation or recommendation is made by Broker or any party as to the legal sufficiency or tax consequences of this document or the transaction to which it relates. These are questions for your attorney.

In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

EXHIBIT "A" - PREMISES

[MAP]

\* Exact separation wall  
location subject to minor  
adjustment.

OWNER/DEVELOPER  
Investment Building Group  
500 N. State College Boulevard  
Suite 525  
Orange, California 92668  
(714) 634-1111

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS FOUND ON PAGES 3-5 OF THE COMPANY'S FORM 10-Q FOR THE YEAR-TO-DATE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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