

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 September 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

The registrant has 9,122,868 shares of common stock
outstanding as of November 1, 1997

HANSEN NATURAL CORPORATION AND SUBSIDIARIES
September 30, 1997

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 1997	December 31, 1996
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 514,569	\$ 186,931
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$323,040 in 1997 and \$234,749 in 1996 and promotional allowances of \$1,302,766 in 1997 and \$926,045 in 1996)	2,100,124	944,227
Inventories	3,432,690	3,111,124
Prepaid expenses and other current assets	478,316	331,869
	-----	-----
Total current assets	6,525,699	4,574,151
PLANT AND EQUIPMENT, net	493,211	602,272
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$2,310,140 in 1997 and \$2,089,641 in 1996)	10,319,201	10,459,144
Notes receivable from officers	67,857	70,153
Deposits and other assets	485,879	403,353
	-----	-----
Total intangible and other assets	10,872,937	10,932,650
	=====	=====
	\$ 17,891,847	\$ 16,109,073
	=====	=====
LIABILITIES & SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 716,294	\$ 893,429
Accounts payable	2,773,443	2,139,050
Accrued liabilities and deferred income taxes	527,534	200,602
Current portion of long-term debt (net of unamortized premium of \$48,541 in 1996)	462,584	4,048,541
	-----	-----
Total current liabilities	4,479,855	7,281,622
LONG-TERM DEBT	3,550,389	
SHAREHOLDERS' EQUITY:		
Common stock - \$.005 par value; 30,000,000 shares authorized; 9,122,868 shares issued and outstanding	45,614	45,614
Additional paid-in capital	10,847,355	10,847,355
Accumulated deficit	(1,041,372)	(2,126,100)
Foreign currency translation adjustment	10,006	60,582
	-----	-----
Total shareholders' equity	9,861,603	8,827,451
	-----	-----
	\$ 17,891,847	\$ 16,109,073
	=====	=====

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
NET SALES	\$ 13,438,895	\$ 10,805,021	\$ 32,054,709	\$ 28,574,757
COST OF SALES	7,924,398	6,507,371	18,952,135	17,367,924
GROSS PROFIT	5,514,497	4,297,650	13,102,574	11,206,833
OPERATING EXPENSES:				
Selling, general and administrative	4,725,864	3,898,036	11,122,820	9,899,684
Amortization of trademark license and trademarks	73,500	73,200	220,500	323,329
Other expenses	36,704	74,292	183,839	222,873
Total operating expenses	4,836,068	4,045,528	11,527,159	10,445,886
OPERATING INCOME	678,429	252,122	1,575,415	760,947
NONOPERATING EXPENSE:				
Net interest and financing expense	140,376	140,786	413,443	460,024
Other expense (income)	37,044		37,044	(232,683)
Net nonoperating expense	177,420	140,786	450,487	227,341
INCOME BEFORE PROVISION FOR INCOME TAXES	501,009	111,336	1,124,928	533,606
PROVISION FOR INCOME TAXES			40,200	2,400
NET INCOME	\$ 501,009	\$ 111,336	\$ 1,084,728	\$ 531,206
NET INCOME PER COMMON SHARE:				
Primary	\$ 0.05	\$ 0.01	\$ 0.12	\$ 0.06
Fully Diluted	\$ 0.05	\$ 0.01	\$ 0.11	\$ 0.06
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:				
Primary	9,325,098	9,522,188	9,202,929	9,400,050
Fully Diluted	9,505,437	9,522,188	9,505,437	9,400,050

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

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

	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,084,728	\$ 531,206
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of trademark license and trademarks	220,500	323,329
Depreciation and other amortization	188,022	143,167
Loss on disposal of plant and equipment	37,044	4,613
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(1,155,897)	646,825
Inventories	(321,566)	(502,114)
Prepaid expenses and other current assets	(113,557)	235,495
Accounts payable	634,393	(361,193)
Accrued liabilities and deferred income taxes	326,932	210,183
	-----	-----
Net cash provided by operating activities	900,599	1,231,511
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(168,757)	(74,068)
Proceeds from sale of plant and equipment	21,320	70,665
Increase in trademark license and trademarks	(80,556)	(42,631)
Decrease (increase) in notes receivable from officers	2,296	(752)
Increase in deposits and other assets	(82,526)	(62,654)
	-----	-----
Net cash used in investing activities	(308,223)	(109,440)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term borrowings	(177,135)	(998,789)
Increase in long-term debt	14,546	
Principal payments on long-term debt	(51,573)	(36,966)
	-----	-----
Net cash used for financing activities	(214,162)	(1,035,755)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(50,576)	19,208
	-----	-----
NET INCREASE IN CASH	327,638	105,524
CASH, beginning of period	186,931	87,916
	=====	=====
CASH, end of period	\$ 514,569	\$ 193,440
	=====	=====
SUPPLEMENTAL INFORMATION :		
Cash paid during the year for:		
Interest	\$ 276,754	\$ 340,617
	=====	=====
Income taxes	\$ 2,400	\$ 2,400
	=====	=====

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:

During the fiscal year 1997, the Company reclassified \$32,890 of plant and equipment to prepaid expenses and other current assets.

See accompanying notes to consolidated financial statements.

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 a credit facility 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 \$4,000,000 (the "Term Loan"). The credit facility is 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 facility is 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 that it will, in fact, be renewed, or if renewed, that the terms of such renewal will not be disadvantageous to HBC and its business. The interest rate payable on amounts outstanding under the Revolver is 1% above the Bank's base rate as set from time to time (currently 8.75% per annum).

The proceeds of the Term Loan were used to retire the \$4,000,000 principal amount of the note payable to ERLY Industries, Inc. due July 27, 1997 (the "ERLY Note"). The ERLY Note, including accrued interest thereon, was paid on October 24, 1997. The Term Loan will mature in October 2002 and requires monthly payments of principal in set amounts which escalate over time plus payments of a portion of HBC's adjusted cash flow, from year to year. The interest rate payable on the Term Loan is 1.5% above the Bank's base rate as set from time to time.

In consequence of management's intent to utilize the Term Loan to retire 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. Accordingly, as of September 30, 1997, \$458,337 of the amount due under the ERLY Note is included in current portion of long-term debt. The \$458,337 included in current portion of long-term debt represents amounts due under the Term Loan through September 30, 1998.

3. LEGAL PROCEEDINGS

The second stage of the trial in HBC's action against ERLY Industries, Inc. ("ERLY") in the Superior Court for the State of California, was held in July 1997 for the sole purpose of determining the amount of HBC's damages, if any, resulting from ERLY's breach of certain rights of first refusal provisions contained in the ERLY Note. In October 1997, the court ruled that HBC was not entitled to any damages. HBC is currently evaluating whether to appeal that ruling.

4. SUBSEQUENT EVENT

As discussed above in Note 2, the ERLY Note was paid on October 24, 1997 with proceeds from the Term Loan.

5. 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, second and third 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.

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

GENERAL

During the nine months ended September 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 nine-month period ended September 30, 1996. During the second quarter, 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 currently 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(R) brand, during 1997.

On September 19, 1997, the Company relocated its warehouse, distribution and repacking operations to its facility in Corona, California.

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

Net Sales. For the three-month period ended September 30, 1997, net sales were approximately \$13.4 million, an increase of \$2.6 million or 24.4% over the \$10.8 million net sales for the three-month period ended September 30, 1996. The increase in net sales was attributable to increased sales of Hansen's(R) fruit juice Smoothies and sales of Hansen's(R) 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 Hansen's(R) apple juice. Sales of soda and iced teas, lemonades and juice cocktails were about the same as in the comparable period in 1996.

Gross Profit. Gross profit was \$5.5 million for the three-month period ended September 30, 1997, an increase of \$1.2 million or 28.3% over the \$4.3 million gross profit for the three-month period ended September 30, 1996. Gross profit as a percentage of net sales increased to 41.0% for the three-month period ended September 30, 1997 from 39.8% for the three-month period ended September 30, 1996. 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 \$4.8 million for the three-month period ended September 30, 1997, an increase of \$791,000 or 19.5% over total operating expenses of \$4.0 million for the three-month period ended September 30, 1996. However, total operating expenses as a percentage of net sales decreased to 36.0% for the three-month period ended September 30, 1997 from 37.4% for the three-month period ended September 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 other expenses. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in operating expenses from the comparable period in 1996.

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

Selling, general and administrative expenses were \$4.7 million for the three-month period ended September 30, 1997, an increase of \$828,000 or 21.2% over selling, general and administrative expenses of \$3.9 million for the three-month period ended September 30, 1996. However, selling, general and administrative expenses as a percentage of net sales decreased to 35.2% for the three-month period ended September 30, 1997 from 36.1% for the three-month period ended September 30, 1996. The increase in selling expenses was primarily attributable to increases in distribution costs, advertising in general and, in particular, a radio campaign during the third quarter, and costs of promotional materials primarily in connection with the launching of the Company's new Energy drink. The increase in general and administrative expenses was primarily attributable to 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 periods ended September 30, 1997 and 1996.

Other expenses were \$37,000 for the three-month period ended September 30, 1997, a decrease of \$37,000 or 50.6% below other expenses of \$74,000 for the three-month period ended September 30, 1996. This decrease was primarily attributable to the expiration of certain consulting agreements, which were entered into in connection with the purchase of the Hansen Business and the merger between the Company, CVI Ventures, Inc. and Continental Ventures, Inc. This decrease was partially offset by a new consulting agreement entered into with the former president of HBC.

Operating Income. Operating income was \$678,000 for the three-month period ended September 30, 1997 compared to operating income of \$252,000 for the three-month period ended September 30, 1996. The \$426,000 increase in operating income was attributable to a \$1.2 million increase in gross profit which was partially offset by an increase of \$791,000 in operating expenses.

Net Nonoperating Expense. Net nonoperating expense was \$177,000 for the three-month period ended September 30, 1997, which was \$36,000 higher than net nonoperating expense of \$141,000 for the three-month period ended September 30, 1996. Net nonoperating expense for the three-month period ended September 30, 1997 consists of net interest and financing expense and other expense. Net nonoperating expense for the three-month period ended September 30, 1996 consists of net interest and financing expense. Net interest and financing expense for the three-month period ended September 30, 1997 was \$140,000 compared to \$141,000 for the three-month period ended September 30, 1996. Other expense for the third quarter of 1997 consists of a \$37,000 loss on the disposal of plant and equipment, primarily vehicles, following the discontinuation of the Company's route distribution system.

Net Income. Net income was \$501,000 for the three-month period ended September 30, 1997 compared to net income of \$111,000 for the three-month period ended September 30, 1996. The \$390,000 increase in net income for this period consists of an increase in operating income of \$426,000 which was partially offset by an increase of \$36,000 in net nonoperating expense.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1997
COMPARED TO THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1996

Net Sales. For the nine-month period ended September 30, 1997, net sales were approximately \$32.1 million, an increase of \$3.5 million or 12.2% over the \$28.6 million net sales for the nine-month period ended September 30, 1996. The increase in net sales was attributable to increased sales of Hansen's(R) fruit juice Smoothies, increased sales of Hansen's(R) apple juice and sales of Hansen's(R) 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(R) products in certain markets.

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

Gross Profit. Gross profit was \$13.1 million for the nine-month period ended September 30, 1997, an increase of \$1.9 million or 16.9% over the \$11.2 million gross profit for the nine-month period ended September 30, 1996. Gross profit as a percentage of net sales increased to 40.9% for the nine-month period ended September 30, 1997 from 39.2% for the nine-month period ended September 30, 1996. 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 \$11.5 million for the nine-month period ended September 30, 1997, an increase of \$1.1 million or 10.4% over total operating expenses of \$10.4 million for the nine-month period ended September 30, 1996. However, total operating expenses as a percentage of net sales decreased to 36.0% for the nine-month period ended September 30, 1997 from 36.6% for the nine-month period ended September 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 and other expenses. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in operating expenses from the comparable period in 1996.

Selling, general and administrative expenses were \$11.1 million for the nine-month period ended September 30, 1997, an increase of \$1.2 million or 12.4% over selling, general and administrative expenses of \$9.9 million for the nine-month period ended September 30, 1996. Selling, general and administrative expenses as a percentage of net sales increased to 34.7% for the nine-month period ended September 30, 1997 from 34.6% for the nine-month period ended September 30, 1996. The increase in selling expenses was primarily attributable to increases in distribution costs, advertising in general and, in particular, a radio campaign during the third quarter, and costs of promotional materials primarily in connection with the launching of the Company's new Energy drink. The increase in general and administrative expenses was primarily attributable to increased payroll costs in connection with the Company's expansion activities into additional states.

Amortization of trademark license and trademarks was approximately \$220,000 for the nine-month period ended September 30, 1997, a decrease of \$103,000 from the \$323,000 for the nine-month period ended September 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.

Other expenses were \$184,000 for the nine-month period ended September 30, 1997, a decrease of \$39,000 or 17.5% below other expenses of \$223,000 for the nine-month period ended September 30, 1996. This decrease was primarily attributable to the expiration of certain consulting agreements, which were entered into in connection with the purchase of the Hansen Business and the merger between the Company, CVI Ventures, Inc. and Continental Ventures, Inc. This decrease was partially offset by a new consulting agreement entered into with the former president of HBC.

Operating Income. Operating income was \$1.6 million for the nine-month period ended September 30, 1997 compared to operating income of \$761,000 for the nine-month period ended September 30, 1996. The \$814,000 increase in operating income was attributable to a \$1.9 million increase in gross profit, which was partially offset by an increase of \$1.2 million in operating expenses.

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

Net Nonoperating Expense. Net nonoperating expense was \$450,000 for the nine-month period ended September 30, 1997, which was \$223,000 higher than net nonoperating expense of \$227,000 for the nine-month period ended September 30, 1996. Net nonoperating expense for the nine months ended September 30, 1997 consists of net interest and financing expense and other expense. Net nonoperating expense for the nine months ended September 30, 1996 consists of net interest and financing expense and other income. Net interest and financing expense for the nine-month period ended September 30, 1997 was \$413,000 compared to \$460,000 for the nine-month period ended September 30, 1996. The decrease in net interest and financing expense was attributable to a decrease in the amortization of certain capitalized financing costs incurred in connection with the securing of HBC's previous revolving line of credit, which were fully amortized by the third quarter of 1996, and lower average short-term borrowings during the nine-month period ended September 30, 1997 than during the comparable nine-month period in 1996. Other expense for the third quarter of 1997 consists of a \$37,000 loss on the disposal of plant and equipment, primarily vehicles, following the discontinuation of the Company's route distribution system. 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 \$1.1 million for the nine-month period ended September 30, 1997 compared to net income of \$531,000 for the nine-month period ended September 30, 1996. The \$553,000 increase in net income for this period consists of an increase in operating income of \$814,000 which was partially offset by an increase of \$223,000 in net nonoperating expense and a provision for income taxes of \$38,000.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1997, the Company had working capital of \$2,045,844 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 September 30, 1997, and partially attributable to net income earned, after adjustments for certain noncash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, during the nine-month period ended September 30, 1997.

As explained in Note 2 to the Company's unaudited financial statements for the period ended September 30, 1997, HBC obtained a revolving line of credit of up to \$3 million in aggregate at any time outstanding. As of September 30, 1997, \$716,294 was outstanding under the Revolver. The Revolver 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 Revolver is subject to renewal on the maturity date, 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.

During the first, second and third quarters of 1997, HBC utilized a portion of its then existing line of credit, together with its own funds, for working capital, to finance its expansion and development plans, and to reduce long-term debt. 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. Management believes that cash available from operations, current cash resources and the Revolver, will be sufficient for its working capital needs, including purchase commitments for raw materials, debt servicing and expansion and development needs through September 30, 1998.

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

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(R) 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, adequacy of funds from operations and the Company's existing credit facility, among other things.

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.

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: November 12, 1997

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

By: HILTON SCHLOSBERG
Hilton H. Schlosberg
Vice Chairman
and Chief 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 (ww)	Packaging Agreement dated April 14, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc.
Exhibit 10 (xx)	Revolving Credit Loan and Security Agreement dated May 15, 1997 between Comerica Bank - California and Hansen Beverage Company.
Exhibit 10 (yy)	Severance and Consulting Agreement dated as of June 20, 1997 by and among Hansen Beverage Company, Hansen Natural Corporation and Harold C. Taber, Jr.
Exhibit 10 (zz)	Stock Option Agreement made as of June 20, 1997 by and between Hansen Natural Corporation and Harold C. Taber, Jr.
Exhibit 10 (aaa)	Variable Rate Installment Note dated October 14, 1997 between Comerica Bank - California and Hansen Beverage Company.
Exhibit 27	Financial Data Schedule

April 14, 1997

Mr. Hilton H. Schlosberg
Vice Chairman
Hansen Beverage Company
2401 East Katella Avenue
Suite 650
Anaheim, CA 92806

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

Dear Mr. Schlosberg:

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

1. Primary Engagement

- a. Hansen hereby engages USCP as its primary distribution center for Hansen beverage products for truck delivery other than for products shipped directly from Hansen Co-packers in the "Territory" as described on Schedule "1" hereto (the "Territory"). As such, USCP shall have responsibility for loading trucks with Hansen beverage products scheduled for delivery. USCP shall manage inventory at the distribution center and assemble and load it, as appropriate, for truck delivery in accordance with the procedures set forth in Schedule "2" hereto. USCP will provide all personnel and equipment necessary to meet its obligations hereunder.
- b. USCP will provide such dry packaging services and bundle wrapping of Hansen beverage products as may be requested by Hansen and in accordance with the procedures set forth in Schedule "2" hereto. The parties hereto acknowledge that USCP is not responsible for filling any beverage products in cans, bottles or other containers.
- c. USCP will case pack and hand load trucks with Hansen beverage products, all such loading to take place at the loading dock of the "Facility" (as defined herein).

2. Compensation

- a. Hansen will compensate USCP in accordance with the terms set forth in Schedule "3" hereto for services rendered by USCP. Prices charged to Hansen by USCP will not increase during the first year of this agreement. Thereafter, prices may increase, but such increases shall be limited to actual increases in direct costs incurred by USCP. USCP shall provide reasonable support for any such increases to Hansen.
- b. After six (6) months from the inception of this Agreement, USCP will, in good faith, evaluate its costs of actual operations as compared to its estimated costs of operations at the commencement of this agreement and in the event of such actual costs being lower, it shall pass an appropriate price reduction onto Hansen. Such costs shall be determined on an ongoing basis and shall exclude costs incurred during the start up phase of the business.

3. Facility Lease and Related Expense

- a. Hansen will lease such industrial facilities as are necessary for USCP to discharge its services in accordance herewith. The parties contemplate that Hansen will lease a facility (the "Facility") of an appropriate size and which is estimated to be approximately 50,000 square feet. Hansen will be responsible for and pay the rent for such facility; provided, however, that if by agreement between the parties, a larger facility is leased by Hansen with a view to an agreed portion up to 10,000 square feet being utilized by USCP for its other business activities, then USCP shall be responsible to reimburse Hansen for such excess area on the basis set out below and to the extent necessary USCP will sign an appropriate sublease on the same terms as the main lease mutatis mutandis, but for a period of 2 years and on the basis that Hansen shall be entitled to terminate such sublease on 60 days written notice at any time, in the event that such excess area is required for Hansen products.

- b. In the event of any portion of the Facility being subleased to USCP, then Hansen and USCP shall be responsible for the rent as follows. Hansen will make all payments due to the landlord (or the sublessor, as the case may be) for its lease of the Facility. USCP shall reimburse Hansen, on a monthly basis, for a portion of rent as follows:

Monthly Rent Reimbursement =

Monthly rent for the Facility x (area of the Facility occupied by USCP for its own business divided by total area of the Facility)

- c. All expenses associated with said lease and occupation of the facility including, but not limited to, utilities, insurance, repairs, maintenance and cleaning, will be paid by USCP. If so paid, Hansen will reimburse USCP its agreed share on demand or if paid by Hansen, USCP will reimburse Hansen on demand or Hansen will deduct it from any amounts owing, save and except for the following which shall be paid for by Hansen.
 - (i) Alarm service
 - (ii) Insurance over Hansen Inventory, but not relating to the operations of USCP in the Facility
 - (iii) Hansen's pro rata share of the utilities attributable to that portion of the Facility that is utilized for storage of the products. It is specifically recorded that the electrical costs of operating any equipment for the activities of USCP shall be borne and paid for in full by USCP. USCP shall procure that such electricity costs are separately monitored.

- d. Hansen shall permit USCP to have exclusive use of the Facility for the purpose of providing services to Hansen in accordance herewith and as otherwise permitted under Section 3 (b) hereof, except that approximately 7,000 square feet of space will be set aside as office space for Hansen personnel.

4. Obligations of USCP. USCP shall be liable to Hansen on an annual basis for any damage or loss of Hansen products in excess of \$25,200.00 while in possession and control of USCP prior to delivery of such products to carriers (from and after which, USCP's responsibility for damage or loss of products shall cease), except to the extent that Hansen employees, independent contractors acting on behalf of Hansen (other than USCP) or agents of Hansen are responsible for any such damage or loss. USCP shall also be responsible for any other loss suffered by Hansen as a result of USCP's breach of its obligations hereunder, except to the extent that such loss is attributable to Hansen employees, independent contractors acting on behalf of Hansen (other than USCP) or agents of Hansen. Damage or loss shall be monitored on a monthly basis.

5. Representations, Warranties and Covenants of Parties

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

- a. Binding Agreement. This Agreement has been duly executed and delivered by Hansen and constitutes a valid and legally binding agreement of Hansen, enforceable in accordance its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and provided that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.
- b. Non-Contravention. The execution and delivery of this Agreement by Hansen and the consummation of the business matters contemplated thereby will not violate any provision of any mortgage, lien, lease, agreement, license or instrument to which Hansen (or any affiliate thereof) is a party.

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

- a. Binding Agreement. This Agreement has been duly executed and delivered by USCP and constitutes a valid and legally binding agreement of USCP enforceable, in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and provided that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.
- b. Non-Contravention. The execution and delivery of this Agreement by USCP and the consummation of the business matters contemplated thereby will not violate any provision of any mortgage, lien, lease, agreement, license or instrument to which USCP (or and affiliate thereof) is a party.

6. Mutual Indemnification.

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

7. Term; Termination Rights.

- a. The term of this agreement shall be co-terminous with the initial period of the lease of the facility, but not less than two (2) years [{"Term"}]. This agreement shall be renewed annually thereafter (each such annual renewal constituting a "Renewal Term"), unless a party hereto gives the other not less than sixty (60) days prior written notice of its intention to terminate the agreement at the end of the then current Term or Renewal Term, as the case may be.
- b. Notwithstanding Section 7(a), this Agreement may be terminated by Hansen prior to expiration of the Term in the event that USCP fails to satisfy in material respects its duties or obligations hereunder with respect to Hansen beverage products on more than two percent (2.0%) of the bills of lading executed in any calendar month (a "Default" hereunder); provided, however, that USCP shall not be deemed to be in Default hereunder unless it is notified in writing by Hansen of the facts constituting a Default and such failure is not corrected with thirty (30) days of USCP's receipt of such notice, except that in no event shall Hansen be required to provide an opportunity to cure with respect to more than one (1) Default in any consecutive twelve-month period.
- c. Notwithstanding Section 7(a), this Agreement may be terminated by USCP prior to expiration of the Term in the event that Hansen fails to pay any amount due hereunder within ten (10) days of being notified by USCP in writing of Hansen's failure to make timely payment.

8. Obligations in the Event of Termination.

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

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

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

(a.) If to Hansen:

Mr. Hilton H. Schlosberg
Vice Chairman
Hansen Beverage Company
2401 East Katella Avenue
Anaheim, CA 92806

with a copy to:

Mr. Tom Kelly
Hansen Beverage Company
2401 East Katella Avenue
Anaheim, CA 92806

(b.) If to USCP:

Mr. David Williams
President
U.S. Continental Packaging
1450 North Daly Street
Anaheim, CA 92806

with a copy to:

Daniel S. Latter
2029 Century Park East
Suite 400
Los Angeles, CA 90067

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

11. Remedies Not Exclusive. Except as otherwise specifically provided, no remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise. The election by a party of any one or more remedies shall not constitute a waiver of the right to pursue other available remedies.
12. Compliance with Laws. The consummation of the transactions hereunder shall be subject to compliance with all applicable laws.
13. Expenses. Each party shall be responsible for its own expenses, including legal and accounting fees, in connection with this Agreement and any subsequent matters pertaining to the transactions contemplated hereby.
14. Governing Law. This Agreement shall be interpreted in accordance with, and governed by, the internal substantive laws of the State of California, without regard to the choice of law rules thereof.
15. Attorney's Fees. If any action, arbitration or proceeding in contract or tort arising out of or relating to this Agreement is commenced by any party to this Agreement, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorney's fees, costs (including court costs) and expenses incurred in the action or proceeding by the prevailing party, along with any reasonable attorneys' fees, costs (including court cost) and expenses incurred to collect any amount awarded in connection with any such action or proceeding.
16. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the making, performance, breach or interpretation thereof, shall be settled by binding arbitration in Orange County, California in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then existing. Any claim concerning whether a particular matter or issue is subject to arbitration in accordance herewith shall also be so determined by arbitration. The arbitration shall be held before a single arbitrator. Any award by the AAA shall be final and binding between the parties; and judgment on the arbitration award may be entered in any court having jurisdiction over the subject matter of the controversy. All parties may pursue discovery in accordance with California Code of Civil Procedure Section 1283.05, the provisions of which are incorporated herein by reference, with the following exceptions: (i) the parties hereto may conduct all discovery, including depositions for discovery purposes, without leave of the arbitrator; and (ii) all discovery shall be completed no later than the commencement of the arbitration hearing or one hundred twenty (120) calendar days after the date that a proper demand for arbitration is served, whichever occurs earlier, unless upon a showing of good cause, the arbitrator extends or shortens that period. Any disputes relating to such discovery will be resolved by the arbitrator. The parties agree that in rendering an award, the arbitrator shall have no jurisdiction to consider evidence with respect to, or render any award or judgment for, punitive or exemplary damages or any other amount awarded for the purposes of imposing a penalty. The parties specifically waive any claims for punitive or exemplary damages or any other amount awarded for the purposes of imposing a penalty that arise out of or are related to this Agreement or the breach thereof, or the conduct of the parties in connection with this Agreement. The arbitrator shall have the power to award reasonable attorneys' fees and costs. Either party may submit the controversy or claim to arbitration.

17. No Assignment. USCP may not assign any of its rights or delegate any of its duties hereunder, without the prior written consent of Hansen, which consent may be withheld irrespective of the reason therefor; provided, however, that USCP may assign its duties and rights hereunder to a wholly owned subsidiary of USCP.
18. Entire Agreement; Amendment. This Agreement, including Exhibits, Schedules and other documents delivered pursuant to the terms hereof, constitutes the entire agreement between the parties pertaining to the subject matter contained herein and such agreements supersede any and all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties hereto. This Agreement may not be altered, modified, amended, canceled, rescinded, discharged or terminated, except by an instrument in writing signed by all parties hereto.
19. Multiple Counterparts; Facsimile Signature. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A signed copy of this Agreement delivered by facsimile transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.
20. Headings. The headings of this Agreement are included for purposes of convenience only, do not constitute a part hereof and shall not affect the construction or interpretation of any of the provisions hereof.
21. All Terms Material. The parties hereby expressly acknowledge and agree that each and every term and condition of this Agreement is of the essence of this Agreement, constitutes a material part of the bargained-for consideration without which this Agreement would not have been executed and is a material part of this Agreement.

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

U.S. Continental Packaging, Inc.
a California Corporation

By: _____
David L. Williams, President

ACCEPTED AND AGREED TO THIS
_____ DAY OF APRIL, 1997

By: _____
Hilton H. Schlosberg, Vice Chairman
Hansen Beverage Company

SCHEDULE 1
"TERRITORY"

The "TERRITORY" consists of the following areas:

A. State of California - If during the term of this Agreement, Hansen requires a primary repacking and bundling facility in North California, it shall grant a right of first refusal to USCP to establish and manage such facility in Northern California and perform the necessary services contemplated with respect to Hansen Beverage products; provided that its prices are at least as low as or lower than and its terms of business are at least as or more favorable to Hansen than, those offered by any competitor and are consistent with the terms of this Agreement. USCP shall be given fourteen (14) days within which to match or better any competitor's offer.

B. The State of Arizona

C. The State of Nevada

REVOLVING CREDIT LOAN & SECURITY AGREEMENT
(ACCOUNTS AND INVENTORY)

OBLIGOR # NOTE # AGREEMENT DATE: MAY 15, 1997

CREDIT LIMIT \$3,000,000 INTEREST RATE OFFICER NO./INITIALS

THIS AGREEMENT is entered into on May 15, 1997, between Comerica Bank - California ("Bank") as secured party, whose Headquarters Office is 333 West Santa Clara Street, San Jose, California 95113 and Hansen Beverage Corporation ("Borrower"), a Delaware corporation whose chief executive office is located at 2401 East Katella Avenue, Suite 650, Anaheim, California 92806. The parties agree as follows:

1. DEFINITIONS

1.1 "account", unless the context otherwise requires, means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper (each as defined in the Uniform Commercial Code) whether or not it has been earned by performance.

1.2 "Agreement" as used in this Agreement means and includes this Revolving Credit Loan & Security Agreement (Accounts and Inventory), any concurrent or subsequent rider to this Revolving Credit Loan & Security Agreement (Accounts and Inventory) and any extensions, supplements, amendments or modifications to this Revolving Credit Loan & Security Agreement (Accounts and Inventory) and to any such rider.

1.3 "Bank Expenses" as used in this Agreement means and includes: all costs or expenses required to be paid by Borrower under this Agreement which are paid or advanced by Bank; taxes and insurance premiums of every nature and kind of Borrower paid by Bank; filing, recording, publication and search fees, appraiser fees, auditor fees and costs, and title insurance premiums paid or incurred by Bank in connection with Bank's transactions with Borrower; costs and expenses incurred by Bank in collecting the Receivables (with or without suit) to correct any default or enforce any provision of this Agreement, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, disposing of, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated; costs and expenses of suit incurred by Bank in enforcing or defending this Agreement or any portion hereof, including, but not limited to, expenses incurred by Bank in attempting to obtain relief from any stay, restraining order, injunction or similar process which prohibits Bank from exercising any of its rights or remedies; attorneys' fees and expenses incurred by Bank in advising, structuring, drafting, reviewing, amending, terminating, enforcing, defending or concerning this Agreement, or any portion hereof or any agreement related hereto, whether or not suit is brought; and costs and expenses of reviews and audits of the affairs of the Borrower. Bank Expenses shall include Bank's in-house legal charges at reasonable rates.

1.4 "Base Rate" as used in this Agreement means that variable rate of interest so announced by Bank at its headquarters office in San Jose, California as its "Base Rate" from time to time and which serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto.

1.5 "Borrower's Books" as used in this Agreement means and includes all of the Borrower's books and records including but not limited to: minute books; ledgers; records indicating, summarizing or evidencing Borrower's assets, liabilities, Receivables, business operations or financial condition, and all information relating thereto, computer programs; computer disk or tape files; computer printouts; computer runs; and other computer prepared information and equipment of any kind.

1.6 "Borrowing Base" as used in this Agreement means the sum of: (1) eighty percent (80.00%) of the net amount of Net Eligible Accounts after deducting therefrom all payments, adjustments and credits applicable thereto ("Accounts Receivable Borrowing Base"); and (2) the amount, if any, of the advances against Inventory agreed to be made pursuant to any Inventory Rider ("Inventory Borrowing Base"), or other rider, amendment or modification to this Agreement, that may now or hereafter be entered into by Bank and Borrower.

1.7 "Cash Flow" as used in this Agreement means, for any applicable period of determination, the Net Income (after deduction for income taxes and other taxes of such person determined by reference to income or profits of such person) for such period, plus, to the extent deducted in computation of such Net Income, the amount of depreciation and amortization expense and the amount of deferred tax liability during such period, all as determined in accordance with GAAP. The applicable period of determination will be on a rolling, four-quarter basis, retrospectively, beginning with the period from July 1, 1996 to June 30, 1997 and each calendar quarter thereafter.

1.8 "Collateral" as used in this Agreement means and includes each and all of the following: the Receivables; the Intangibles; the negotiable collateral, the Inventory; all money, deposit accounts and all other assets of Borrower in which Bank receives a security interest or which hereafter come into the possession, custody or control of Bank; and the proceeds of any of the foregoing, including, but not limited to, proceeds of insurance covering the collateral and any and all Receivables, Intangibles, negotiable collateral, Inventory, equipment, money, deposit accounts or other tangible and intangible property of borrower resulting from the sale or other disposition of the collateral, and the proceeds thereof. Notwithstanding anything to the contrary contained herein, collateral shall not include any waste or other materials which have been or may be designated as toxic or hazardous by Bank.

1.9 "Credit" as used in this Agreement means all Obligations, except those obligations arising pursuant to any other separate contract, instrument, note, or other separate agreement which, by its terms, provides for a specified interest rate and term.

1.10 "Current Assets" as used in this Agreement means, as of any applicable date of determination, all cash, nonaffiliated customer receivables, United States government securities, claims against the United States government, inventories and prepaid expenses which are classified as current in accordance with GAAP.

1.11 "Current Liabilities" as used in this Agreement means, as of any applicable date of determination, (i) all liabilities of a person that should be classified as current in accordance with GAAP, including without limitation any portion of the principal of the Indebtedness classified as current, plus (ii) to the extent not otherwise included, all liabilities of the Borrower to any of its affiliates whether or not classified as current in accordance with GAAP.

1.12 "Current Maturities on Long Term Debt" shall mean, as of any applicable date of determination, current maturities and sinking fund payments required to be made within one year after the applicable date of determination on long-term debt in accordance with GAAP, provided, however, that in the case of the ERLY Note, with respect to the applicable period through and including June 30, 1997, such current maturity shall be deemed to be the lesser of the unpaid principal amount of the ERLY Note and \$500,000. The applicable periods of determination will be on a rolling, four-quarter basis, retrospectively, beginning with the period from July 1, 1996 to June 30, 1997 and each calendar quarter thereafter.

1.13 "Daily Balance" as used in this Agreement means the amount determined by taking the amount of the Credit owed at the beginning of a given day, adding any new Credit advanced or incurred on such date, and subtracting any payments or collections which are deemed to be paid and are applied by Bank in reduction of the Credit on that date under the provisions of this Agreement.

1.14 "Eligible Accounts" as used In this Agreement means and includes those accounts of Borrower which are due and payable within ninety (90) days, or less, from the date of invoice, have been validly assigned to Bank and strictly comply with all of Borrower's warranties and representations to Bank; but Eligible Accounts shall not include the following: (a) accounts with respect to which the account debtor is an officer, employee, partner, joint venturer or agent of Borrower; (b) accounts with respect to which goods are placed on consignment, guaranteed sale or other terms by reason of which the payment by the account debtor may be conditional; (c) accounts with respect to which the account debtor is not a resident of the United States unless otherwise approved by Bank; (d) accounts with respect to which the account debtor is the United States or any department, agency or instrumentality of the United States; (e) accounts with respect to which the account debtor is any State of the United States or any city, county, town, municipality or division thereof; (f) accounts with respect to which the account debtor is a subsidiary of, related to, affiliated or has common shareholders, officers or directors with Borrower; (g) accounts with respect to which Borrower is or may become liable to the account debtor for goods sold or services rendered by the account debtor to Borrower; except to the extent such account exceeds such liability (h) unpaid balances outstanding more than 90 days on accounts not paid by an account debtor within ninety (90) days from the date of the invoice, unless otherwise approved by Bank; (i) accounts with respect to which account debtors dispute liability or make any claim, or have any defense, cross claim, counterclaim, or offset; (j) accounts with respect to which any Insolvency Proceeding is filed by or against the account debtor, or if an account debtor becomes insolvent, fails or goes out of business; (k) accounts owed by any single account debtor which exceed twenty percent (20%) of all of the Eligible Accounts, except for the accounts listed in Exhibit 1.14k, as amended from time to time with the approval of Bank; (l) accounts with a particular account debtor on which over twenty-five percent (25 %) of the aggregate amount owing is greater than ninety (90) days from the date of the invoice; and (m) accounts generated or serviced by the Hansen Beverage Company route trucks from time to time, or accounts which, in the judgment of the Bank, are similar in nature.

1.15 "Eligible Inventory" as used in this Agreement shall have the meaning attributed to it in the Inventory Rider.

1.16 "ERLY Note" means the note of Borrower initially payable to ERLY Industries, Inc. in the original principal amount of \$4,000,000.

1.17 "Event of Default" as used in this Agreement means those events described In Section 7 contained herein below.

1.18 "GAAP" as used in this Agreement means as of any applicable period, generally accepted accounting principles in effect during such period.

1.19 "Hansen Natural" means Hansen Natural Corporation, a Delaware corporation.

1.20 "Insolvency Proceeding" as used in this Agreement means and includes any proceeding or case commenced by or against the Borrower, or any guarantor of Borrower's Obligations, or any of borrower's account debtors, under any provisions of the Bankruptcy Code, as amended, or any other bankruptcy or insolvency law, including but not limited to assignments for the benefit of creditors, formal or informal moratoriums, composition or extensions with some or all creditors, any proceeding seeking a reorganization, arrangement or any other relief tinder the Bankruptcy code, as amended, or any other bankruptcy or insolvency law.

1.21 "Intangibles" as used in this Agreement means and includes all of Borrower's present and future general Intangibles and other personal property (including, without limitation, any and all rights in any legal proceedings, goodwill, patents, trade names, copyrights, trademarks, trademark licensing agreements, including the Trademark Rights, as defined below, blueprints, drawings, purchase orders, computer programs, computer disks, computer tapes, literature, reports, catalogs and deposit accounts) other than goods and Receivables, as well as Borrower's Books relating to any of the foregoing.

1.22 "Inventory" as used in this Agreement means and includes all present and future inventory in which Borrower has any interest, including, but not limited to, goods held by Borrower for sale or lease or to be furnished under a contract of service and all of Borrower's present and future raw materials, work in process, finished goods, advertising materials, and packing and shipping materials, wherever located and any documents of title representing any of the above, and any equipment, fixtures or other property used in the storing, moving, preserving, identifying, accounting for and shipping or preparing for the shipping of inventory, and any and all other items hereafter acquired by Borrower by way of substitution, replacement, return, repossession or otherwise, and all additions and accessions thereto, and the resulting product or mass, and any documents of title respecting any of the above.

1.23 "Judicial Officer or Assignee" as used in this Agreement means and includes any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of trustee, receiver, controller, custodian or assignee for the benefit of creditors.

1.24 "Marketing Development Fund" as used in this Agreement means the aggregate dollar amount of liabilities of the Borrower's marketing development fund, which consists of discounts and other promotional accommodations made available or to be made available from time to time to customers.

1.25 "Net Eligible Accounts" as used in this Agreement means Eligible Accounts, less the Marketing Development Fund to the extent not excluded pursuant to Section 1.14 in determining Eligible Accounts.

1.26 "Net Income" as used in this Agreement means the net income (or loss) of a person for any period determined in accordance with GAAP before payment of any Profit Recapture Payments paid by the Borrower under the Term Loan Note but excluding in any event:

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

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

1.27 "Net Worth" as used in this Agreement means, as of any applicable date of determination, the excess of

(a) the net book value of all assets of a person after all appropriate deductions in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization), over

(b) Total Liabilities of such person.

1.28 "Obligations" as used in this Agreement means and includes any and all loans, advances, overdrafts, debts, liabilities (including, without limitation, any and all amounts charged to Borrower's account pursuant to any agreement authorizing Bank to charge Borrower's account), obligations, lease payments, guaranties, covenants and duties owing by Borrower to Bank of any kind and description, as determined in accordance with GAAP, whether advanced pursuant to or evidenced by this Agreement; by any note or other instrument; or by any other agreement between Bank and Borrower and whether or not for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including, without limitation, any debt, liability or obligation owing from Borrower to others which Bank may have obtained by assignment, participation, purchase or otherwise, and further including, without limitation, all interest not paid when due and all Bank Expenses which Borrower is required to pay or reimburse by this Agreement, by law, or otherwise. For the avoidance of doubt, the Obligations shall explicitly include the obligations of the Borrower under the Term Loan.

1.29 "Person" or "person" as used in this Agreement means and includes any individual, corporation, partnership, joint venture, association, trust, unincorporated association, joint stock company, government, municipality, political subdivision or agency, or other entity.

1.30 "Profit Recapture Payments" shall have the meaning attributed to them in the Term Loan Note.

1.31 "Receivables" as used in this Agreement means and includes all presently existing and hereafter arising accounts, instruments, documents, chattel paper, general intangibles, all other forms of obligations owing to Borrower, all of Borrower's rights in, to and under all purchase orders heretofore or hereafter received, all moneys due to Borrower under all contracts or agreements (whether or not yet earned or due), all merchandise returned to or reclaimed by Borrower and the Borrower's books (except minute books) relating to any of the foregoing.

1.32 "Revolving Loan" means the loan or loans made from time to time by Bank to Borrower pursuant to Section 2.1.

1.33 "Standby L/C" as used in this Agreement shall have the meaning attributed to it in Section 2.2.

1.34 "Term Loan" shall mean the term loan in the initial principal amount of \$4,000,000.00 represented by the Term Loan Note.

1.35 "Term Loan Note" shall mean the promissory note of Borrower in favor of Bank of even date herewith in the initial principal amount of \$4,000,000.00.

1.36 "Total Liabilities" as used in this Agreement means the total of all items of indebtedness, obligation or liability which, in accordance with GAAP consistently applied, would be included in determining the total liabilities of the Borrower as of the date Total Liabilities is to be determined, including without limitation (a) all obligations secured by any mortgage, pledge, security interest or other lien on property owned or acquired, whether or not the obligations secured thereby shall have been assumed; (b) all obligations which are capitalized lease obligations; and (c) all guaranties, endorsements or other contingent or surety obligations with respect to the indebtedness of others, whether or not reflected on the balance sheets of the Borrower, including any obligation to furnish funds, directly or indirectly through the purchase of goods, supplies, services, or by way of stock purchase, capital contribution, advance or loan or any obligation to enter into a contract for any of the foregoing.

1.37 "Trademark Rights" as used in this Agreement shall mean all of the Borrower's rights under a Carbonated Beverage License Agreement dated July 27, 1992, an Other Beverage License Agreement dated July 27, 1992 and a Royalty Sharing Agreement dated July 27, 1992, and all amendments, supplements and modifications of each or any of the foregoing, such rights to include without limitation (a) all of the Borrower's rights in and to the following trademarks: (i) Hansen's; U. S. Trademark Registration No. 1,258,780; (ii) Hansen's Natural Soda; U.S. Trademark Registration No. 1,258,779; (iii) Grapefruit Hansen's Natural Soda; U. S. Trademark Registration No. 1,253,907; (iv) Mandarin Lime Hansen's Natural Soda; U. S. Trademark Registration No. 1,243,037; and (v) Lemon-Lime Hansen's Natural Soda; U. S. Trademark Registration No. (none) (the "Specified Trademarks"), including such rights (but not obligations) as may arise under the Lanham Act, common law, by contract or otherwise to sue in the name of the Borrower or the Bank for past, present or future infringements; (b) all goodwill associated with the Borrower's rights in the Specified Trademarks; (c) all of the Borrower's rights relating to the manufacture, sale or distribution of products utilizing the Specified Trademarks; (d) all right, title and interest of Borrower as grantor in and to the Trust and (e) all products and proceeds of any of the foregoing whether now or hereafter in existence.

1.38 "Trust" as used in this Agreement shall mean the trust created by the Agreement of Trust of the Hansen's Trust dated July 27, 1992.

1.39 "Working Capital" as used in this Agreement means, as of any applicable date of determination, Current Assets less Current Liabilities.

1.40 Compliance with all financial covenants contained in this Agreement shall be determined based upon the financial condition of Hansen Natural Corporation, a Delaware corporation, on a consolidated basis, and all references to financial statements and financial information shall be deemed to refer to the financial statements and financial information of Hansen Natural Corp. and its consolidated subsidiaries.

1.41 Any and all terms used in this Agreement shall be construed and defined in accordance with the meaning and definition of such terms under and pursuant to the California Uniform Commercial Code (hereinafter referred to as the "Code") as amended.

2. LOAN AND TERMS OF PAYMENT

For value received, Borrower promises to pay to the order of Bank such amount, as provided for below, together with interest, as provided for below.

2.1 Upon the request of Borrower, made at any time and from time to time during the term hereof, and so long as no Event of Default has occurred, Bank shall lend to Borrower an amount equal to the Borrowing Base; provided, however, that in no event shall Bank be obligated to make advances to Borrower under this Section 2.1 whenever the Daily Balance exceeds, at any time, either the Borrowing Base or the sum of Three Million Dollars and No Cents (\$3,000,000.00), such amount being referred to herein as an "Overadvance."

2.2 As a sub-facility under the Revolving Loan, Bank shall issue for the benefit of Borrower (a) one or more irrevocable standby letters of credit (each a "Standby L/C", and collectively the "Standby L/Cs"), under which the aggregate of all amounts available to be drawn and all unpaid reimbursement obligations shall not exceed \$500,000, it being understood that in no event shall the sum of (i) the face amount of all outstanding letters of credit plus (ii) the amount of all outstanding letter of credit reimbursement obligations plus (iii) the outstanding Revolving Loan advances exceed the Borrowing Base. All Standby L/Cs shall be drawn on such terms and conditions as are acceptable to Bank, shall have an expiry date not later than 365 days after the date of issuance thereof, and shall be governed by the terms of Bank's standard form letter of credit applications and reimbursement agreements for commercial and standby letters of credit, respectively, which applications and reimbursement agreements Borrower hereby covenants and agrees to execute and deliver to Bank. Bank shall be entitled to receive a fee of 2.0% of the maximum amount available to be drawn on each Standby L/C it issues pursuant to this Section 2.2.

2.3 Except as hereinbelow provided, the Credit shall bear interest, on the Daily Balance owing, at a rate of one (1.00) percentage point per annum above the Base Rate (the "Rate"). The Credit shall bear interest, from and after the occurrence of an Event of Default and without constituting a waiver of any such Event of Default, on the Daily Balance owing, at a rate three (3) percentage points per annum above the Rate. All interest chargeable under this Agreement that is based upon a per annum calculation shall be computed on the basis of a three hundred sixty (360) day year for actual days elapsed.

The Base Rate as of the date of this Agreement is eight and one-half percent (8.500%) per annum. In the event that the Base Rate announced is, from time to time hereafter changed, adjustment in the Rate shall be made and based on the Base Rate in effect on the date of such change. The Rate, as adjusted, shall apply to the Credit until the Base Rate is adjusted again. The minimum interest payable by the Borrower under this Agreement shall in no event be less than \$500.00 per month. All interest payable by Borrower under the Credit shall be due and payable on the first day of each calendar month during the term of this Agreement and Bank may, at its option, elect to treat such interest and any and all Bank Expenses as advances under the Credit, which amounts shall thereupon constitute Obligations and shall thereafter accrue interest at the rate applicable to the Credit under the terms of the Agreement.

2.4 Without affecting Borrower's obligation to repay immediately any Overadvance in accordance with Section 2.1 hereof, all Overadvances shall bear additional interest on the amount thereof at a rate equal to three (3.00) percentage points per month in excess of the Rate set forth in Section 2.3, from the date incurred and for each month thereafter, until repaid in full.

3. TERM.

3.1 This Agreement shall remain in full force and effect until May 1, 1998, or until terminated by notice by Borrower. Notice of such termination by Borrower shall be effectuated by mailing of a registered or certified letter not less than thirty (30) days prior to the effective date of such termination, addressed to the Bank at the address set forth herein and the termination shall be effective as of the date so fixed in such notice. Notwithstanding the foregoing, should Borrower be in default of one or more of the provisions of this Agreement, Bank may terminate this Agreement at any time without notice. Notwithstanding the foregoing, should either Bank or Borrower become insolvent or unable to meet its debts as they mature, or fail, suspend, or go out of business, the other party shall have the right to terminate this Agreement at any time without notice. On the date of termination all Obligations shall become immediately due and payable without notice or demand; no notice of termination by Borrower shall be effective until Borrower shall have paid all Obligations to Bank in full. Notwithstanding termination, until all Obligations have been fully satisfied, Bank shall retain its security interest in all existing Collateral and Collateral arising thereafter, and Borrower shall continue to perform all of its Obligations.

3.2 After termination and when Bank has received payment in full of Borrower's Obligations to Bank, Bank shall reassign to Borrower all Collateral held by Bank, and shall execute a termination of all security agreements and security interests given by Borrower to Bank, upon the execution and delivery of mutual general releases.

4. CREATION OF SECURITY INTEREST.

4.1 Borrower hereby grants to Bank a continuing security interest in all presently existing and hereafter arising Collateral in order to secure prompt repayment of any and all Obligations owed by Borrower to Bank and in order to secure prompt performance by Borrower of each and all of its covenants and Obligations under this Agreement and otherwise created. Bank's security interest in the Collateral shall attach to all Collateral without further act on the part of Bank or Borrower. In the event that any Collateral, including proceeds, is evidenced by or consists of a letter of credit, advice of credit, instrument, money, negotiable documents, chattel paper or similar property (collectively, "Negotiable Collateral"), Borrower shall, immediately upon receipt thereof, endorse and assign such Negotiable Collateral over to Bank and deliver actual physical possession of the Negotiable Collateral to Bank.

4.2 Bank's security interest in Receivables shall attach to all Receivables without further act on the part of Bank or Borrower. Upon request from Bank (which request may be made no more than once in any 30-day period unless a default hereunder has occurred and is continuing in which case such request may be made as often as Bank in its sole and absolute discretion determines), Borrower shall provide Bank with schedules describing all Receivables created or acquired by Borrower (including without limitation agings listing the names and addresses of, and amounts owing by date by account debtors), and, if a default has occurred and is continuing, shall execute and deliver written assignments of all Receivables to Bank all in a form acceptable to Bank, provided, however, Borrower's failure to execute and deliver such schedules and/or assignments shall not affect or limit Bank's security interest and other rights in and to the Receivables. Together with each schedule, Borrower shall furnish Bank with copies of Borrower's customers' invoices or the equivalent, and original shipping or delivery receipts, if a default has occurred and is continuing, for all merchandise sold, and Borrower warrants the genuineness thereof. Upon the occurrence and during the continuousness of a default hereunder, Bank or Bank's designee may notify customers or account debtors of collection costs and expenses to Borrower's account but, unless and until Bank does so or gives Borrower other written instructions, Borrower shall collect all Receivables for Bank, receive in trust all payments thereon as Bank's trustee, and, if so requested to do so from Bank, Borrower shall immediately deliver said payments to Bank in their original form as received from the account debtor and all letters of credit, advices of credit, instruments, documents, chattel paper or any similar property evidencing or constituting Collateral. Notwithstanding anything to the contrary contained herein, if sales of Inventory are made for cash, upon the occurrence and during the continuation of a default hereunder Borrower shall immediately deliver to Bank, in identical form, all such cash, checks, or other forms of payment which Borrower receives. The receipt of any check or other item of payment by Bank shall not be considered a payment on account until such check or other item of payment is honored when presented for payment, in which event, said check or other item of payment shall be deemed to have been paid to Bank on the date Bank actually receives such check or other item of payment.

4.3 Bank's security interest in Inventory shall attach to all Inventory without further act on the part of Bank or Borrower. Upon the occurrence and during the continuation of a default hereunder, upon Bank's request, Borrower will from time to time at Borrower's expense pledge, assemble and deliver such Inventory to Bank or to a third party as Bank's bailee; or hold the same in trust for Bank's account or store the same in a warehouse in Bank's name; or deliver to Bank documents of title representing said Inventory; or evidence of Bank's security interest in some other manner acceptable to Bank. Until a default by Borrower under this Agreement or any other Agreement between Borrower and Bank, Borrower may, subject to the provisions hereof and consistent herewith, sell the Inventory, but only in the ordinary course of Borrower's business. A sale of Inventory in Borrower's ordinary course of business does not include an exchange or a transfer in partial or total satisfaction of a debt owing by Borrower.

4.4 Borrower shall execute and deliver to Bank concurrently with Borrower's execution of this Agreement, and at any time or times hereafter at the request of Bank, all financing statements, continuation financing statements, security agreements, mortgages, assignments, certificates of title, affidavits, reports, notices, schedules of accounts, letters of authority and all other documents that Bank may request, in form satisfactory to Bank, to perfect and maintain perfected Bank's security interest in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement. Borrower hereby irrevocably makes, constitutes and appoints Bank (and any of Bank's officers, employees or agents designated by Bank) as Borrower's true and lawful attorney-in-fact with power to sign the name of Borrower on any financing statements, continuation financing statements, security agreement, mortgage, assignment, certificate of title, affidavit, letter of authority, notice of other similar documents which must be executed and/or filed in order to perfect or continue perfected Bank's security interest in the Collateral created by this Agreement.

Borrower shall make appropriate entries in Borrower's Books disclosing Bank's security interest in the Receivables. Bank (through any of its officers, employees or agents) shall have the right at any time or times hereafter during Borrower's usual business hours, or during the usual business hours of any third party having control over the records of Borrower, to inspect and verify Borrower's Books in order to verify the amount or condition of, or any other matter, relating to, said Collateral and Borrower's financial condition.

4.5 Borrower appoints Bank or any other person whom Bank may designate as Borrower's attorney-in-fact, with power to endorse Borrower's name on any checks, notes, acceptances, money order, drafts or other forms of payment or security that may come into Bank's possession; to sign Borrower's name on any invoice or bill of lading relating to any Receivables, on drafts against account debtors, on schedules and assignments of Receivables, on verifications of Receivables and on notices to account debtors; to establish a lock box arrangement and/or to notify the post office authorities to change the address for delivery of Borrower's mail addressed to Borrower to an address designated by Bank, to receive and open all mail addressed to Borrower, and to retain all mail relating to the Collateral and forward all other mail to Borrower; to send, whether in writing or by telephone, requests for verification of Receivables; and to do all things necessary to carry out this Agreement. Borrower ratifies and approves all acts of the attorney-in-fact. Neither Bank nor its attorney-in-fact will be liable for any acts or omissions or for any error of judgement or mistake of fact or law. This power being coupled with an interest, is irrevocable so long as any Receivables in which Bank has a security interest remain unpaid and until the Obligations have been fully satisfied.

4.6 In order to protect or perfect any security interest which Bank is granted hereunder, Bank may, in its sole discretion, discharge any lien or encumbrance or bond the same, pay any insurance, maintain guards, warehousemen, or any personnel to protect the Collateral, pay any service bureau, or, obtain any records, and all costs for the same shall be added to the Obligations and shall be payable on demand.

4.7 Borrower agrees that Bank may provide information relating to this Agreement or relating to Borrower to Bank's parent, affiliates, subsidiaries and service providers.

5. CONDITIONS PRECEDENT.

5.1 As conditions precedent to the making of the Credit and the extension of the financial accommodations hereunder, Borrower shall execute, or cause to be executed, and deliver to Bank, in form and substance satisfactory to Bank and its counsel, the following:

- a. This Agreement, together with an Inventory Rider, an Equipment Rider and an Environmental Rider;
- b. Guarantees, in form and substance acceptable to the Bank, of Hansen Natural, Hansen Beverage Company (UK) Limited and CVI Ventures, Inc.
- c. A Security Agreement (All Assets), in form and substance acceptable to the Bank, together with an Environmental Rider, executed by Hansen Natural.
- d. Financing statements (Form UCC-1) in form satisfactory to Bank for filing and recording with the appropriate governmental authorities in such jurisdictions as the Bank shall determine;
- e. One or more security interests in trademark rights and related goodwill, in form and substance satisfactory to the Bank, executed by the Borrower;
- f. Certified extracts from the minutes of the meeting of its board of directors, authorizing the borrowings and the granting of the security interest provided for herein and authorizing specific officers to execute and deliver the agreements provided for herein;
- g. A certificate of good standing showing that Borrower is in good standing under the laws of the state of its incorporation and certificates indicating that Borrower is qualified to transact business and is in good standing in any other state in which it conducts business;
- h. UCC searches, tax lien and litigation searches, fictitious business statement filings, insurance certificates, notices or other similar documents which Bank may require and in such form as Bank may require, in order to reflect, perfect or protect Bank's first priority security interest in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement;

i. Evidence that Borrower has obtained insurance and acceptable endorsements;

j. Waivers executed by landlords and mortgagees of any real property on which Collateral with an aggregate value of \$100,000 or more is located;

k. Waivers and consents with respect to liens and setoff rights satisfactory in form and substance to the Bank executed by each warehouseman, repacker, copacker or subcontractor holding Collateral with an aggregate value of \$100,000 or more.

l. Such documentation from the Trustees of the Trust as the Bank shall require confirming title to, and certain other matters relating to all Trademark Rights and other intellectual property comprising the Collateral;

m. One or more certificates of officers of the Borrower to the effect that the representations and warranties of the Borrower are true and correct as of the date thereof;

n. Subordination agreements satisfactory to the Bank executed by ERLY Industries, Inc. and the State Treasurer of the State of Michigan, Custodian of the Public School Employees' Retirement System; State Employees' Retirement System; Michigan State Police Retirement System; and Michigan Judges' Retirement System, as successor to the Judges' Retirement System and Probate Judges' Retirement System.

o. Termination statements on Form UCC-2, terminations of assignments of trademarks and releases of indebtedness or liability executed by Greyrock Business Credit and such other evidence of the termination of such security interest and the release of such collateral as the Bank shall require; and

p. Such other documents and instruments as the Bank shall reasonably require.

5.2 As conditions precedent to the making of the Term Loan, and in addition to the conditions precedent set forth in Section 5.1 above, Borrower shall execute, or cause to be executed, and deliver to Bank, in form and substance satisfactory to Bank and its counsel, the following

a. Termination statements on Form UCC-2, terminations of assignments of trademarks and releases of indebtedness or liability executed by ERLY Industries, Inc., and, at the Bank's discretion, the State Treasurer of the State of Michigan, Custodian of the Public School Employees' Retirement System; State Employees' Retirement System; Michigan State Police Retirement System; and Michigan Judges' Retirement System, as successor to the Judges' Retirement System and Probate Judges' Retirement System and all other persons, as determined by the Bank in its discretion, who are asserting or claiming rights in or ownership of, the subordinated note in the initial principal amount of \$4,000,000 initially in favor of ERLY Industries, Inc and such other evidence of the termination of such security interest and the release of such collateral as the Bank shall require; and

b. Such other documents and instruments as the Bank shall reasonably require.

6. WARRANTIES, REPRESENTATIONS AND COVENANTS.

6.1 Borrower shall, within 20 days of the end of each calendar month, provide to the Bank a Borrowing Base Certificate setting forth Eligible Accounts, Marketing Development Fund, Net Eligible Accounts and Eligible Inventory as defined in the Inventory Rider, and a proposed computation of the Borrowing Base based thereon. If so requested by Bank, Borrower shall, at such intervals designated by Bank, during the term hereof execute and deliver a Report of Accounts Receivable or similar report, in form customarily used by Bank. Borrower's Borrowing Base at all times pertinent hereto shall not be less than the advances made hereunder. Bank shall have the right to recompute Borrower's Borrowing Base in conformity with this Agreement.

6.2 If any warranty is breached as to any account, or any account is not paid in full by an account debtor within ninety (90) days from the date of invoice, or an account debtor disputes liability or makes any claim with respect thereto, or a petition in bankruptcy or other application for relief under the Bankruptcy Code or any other insolvency law is filed by or against an account debtor, or an account debtor makes an assignment for the benefit of creditors, becomes insolvent, fails or goes out of business, then Bank may deem ineligible any and all accounts owing by that account debtor, and reduce Borrower's Borrowing Base by the amount thereof. Bank shall retain its security interest in all Receivables and accounts, whether eligible or ineligible, until all Obligations have been fully paid and satisfied. Returns and allowances, if any, as between Borrower and its customers, will be on the same basis and in accordance with the usual customary practices of the Borrower, as they exist at this time. Upon the occurrence and during the continuance of a default, any merchandise which is returned by an account debtor or otherwise recovered shall be set aside, marked with Bank's name, and Bank shall retain a security interest therein. After default, Borrower shall promptly notify Bank of all disputes and claims and settle or adjust them on terms approved by Bank. After default by Borrower hereunder, no discount, credit or allowance shall be granted to any account debtor by Borrower and no return of merchandise shall be accepted by Borrower without Bank's consent. Bank may, after default by Borrower, settle or adjust disputes and claims directly with account debtors for amounts and upon terms which Bank considers reasonable in its sole and absolute discretion, and in such cases Bank will credit Borrower's account with only the net amounts received by Bank in payment of the accounts, after deducting all Bank Expenses in connection therewith.

6.3 Borrower warrants, represents, covenants and agrees that:

a. Borrower has good and marketable title to the Collateral. Bank has and shall continue to have a first priority perfected security interest in and to the Collateral. The Collateral shall at all times remain free and clear of all liens, encumbrances and security interests (except those in favor of Bank). Borrower is the sole and exclusive owner or licensee, as applicable, with respect to the Trademark Rights, fee and clear of any liens, charges, and encumbrances.

b. All accounts are and will, at all times pertinent hereto, be bona fide existing obligations created by the sale and delivery of merchandise or the rendition of services to account debtors in the ordinary course of business, free of liens, claims, encumbrances and security interests (except as held by Bank and except as may be consented to, in writing, by Bank) and are unconditionally owed to Borrower without defenses, disputes, offsets, counterclaims, rights of return or cancellation other than those arising in the ordinary course of business, and Borrower shall have received no notice of actual or imminent bankruptcy or insolvency of any account debtor at the time an account due from such account debtor is assigned to Bank.

c. At the time each account is assigned to Bank, all property giving rise to such account shall have been delivered to the account debtor or to the agent for the account debtor for immediate shipment to, and unconditional acceptance by, the account debtor. Borrower shall deliver to Bank, as Bank may from time to time require, delivery receipts, customer's purchase orders, shipping instruction, bills of lading and any other evidence of shipping arrangements. Absent such a request by Bank, copies of all such documentation shall be held by Borrower as custodian for Bank.

d. Hansen Beverage Company (Services) Limited, a subsidiary of Hansen Natural, conducts no business and has been deregistered in the United Kingdom. If such subsidiary commences business as a subsidiary of Hansen Natural or any affiliate, such subsidiary will execute and deliver to Bank a guaranty substantially identical to those delivered pursuant to Section 5.1(b).

6.4 At the time each Eligible Account is assigned to Bank, all such Eligible Accounts will be due and payable on terms set forth in Section 1.14, or on such other terms approved in writing by Bank in advance of the creation of such accounts and which are expressly set forth on the face of all invoices, copies of which shall be held by Borrower as custodian for Bank, and no such eligible account will then be past due.

6.5 Unless Borrower has given Bank thirty (30) days advance notice of its intent to change the location of Inventory to a location other than the locations hereinafter listed and unless Bank has approved such change of location, Borrower shall keep Inventory (other than inventory with an aggregate value of \$20,000 or less) only at the following locations: 11251 Pacific Drive, Fontana, California 92335; 7 Nichols Court, Dayton, NJ 08810; 7715 South 78th Avenue, Brideview, IL 60455; 333 Johnson Road, Los Banos, CA 93635; 1701 South Lee, Fort Gibson, OK 74434; 11445 Pacific Avenue, Fontana, California 92337; 12100 S. E. Jennifer, Clackamas, OR 97015; 12300 N. W. 32nd Avenue, Miami, FL 33168; 1200 Milik Street, Carteret, NJ 07008; Bldg. 78 Hackensack Boulevard, South Kearny, NJ 07032; 11200 Edison Hwy., Edison, California 93220; 27778 Ave Hopkins, Valencia, CA 91355; 931 South Highland Ave., Tucson, AZ, 85716; 1450 N. Daly, Anaheim, CA 92806; 2401 E. Katella Avenue, Suite 650, Anaheim, CA 92806; 801 Sentous Street, City of Industry, California 91748 and 2378 Railroad Street, Corona, California 91720 and the owner or mortgagees of the respective locations are: Cliffstar-Crosby Fruit Products, PSS Warehouse; LaGrou; Kagome Packing Company, Whitlock Packing Company, Advanced Packaging, Rudie Wilhelm, Carteret Packaging, Gateway Warehouse, Giumarra Vineyards, Health for Life, Southwest Canning, U.S. Continental and Hansen Beverage Company.

a. Borrower, immediately upon demand by Bank therefor, shall now and from time to time hereafter, at such intervals as are requested by Bank, deliver to Bank, designations of Inventory specifying Borrower's cost of Inventory, the wholesale market value thereof and such other matters and information relating to the Inventory as Bank may request;

b. All of the Inventory is and shall remain free from all purchase money or other security interests, liens or encumbrances, except as held by Bank and except for warehouse liens, packer's liens and copacker's liens arising in the ordinary course of business;

c. Borrower does now keep and hereafter at all times shall keep correct and accurate records itemizing and describing the kind, type, quality and quantity of the Inventory, its cost therefor and selling price thereof, and the daily withdrawals therefrom and additions thereto, all of which records shall be available upon demand to any of Bank's officers, agents and employees for inspection and copying;

d. All Inventory, now and hereafter at all times, shall be new Inventory of good and merchantable quality free from defects;

e. No Inventory having an aggregate value in excess of \$20,000 is now nor shall at any time or times hereafter be located or stored with one or more bailees, warehousemen or other third parties without Bank's prior written consent, and, in such event, Borrower will concurrently therewith cause any such bailee, warehouseman or other third party to issue and deliver to Bank, in a form acceptable to Bank, warehouse receipts in Bank's name evidencing the storage of Inventory or other evidence of Bank's prior rights in the Inventory. In any event, Borrower shall instruct any third party to hold all such Inventory for Bank's account subject to Bank's security interests and its instructions; and

f. Bank shall have the right upon demand now and/or at all times hereafter, during Borrower's usual business hours, to inspect and examine the Inventory and to check and test the same as to quality, quantity, value and condition and Borrower agrees to reimburse Bank for Bank's reasonable costs and expenses in so doing.

6.6 Borrower represents, warrants and covenants with Bank that Borrower will not, without Bank's prior written consent:

a. Grant a security interest in or permit a lien, claim or encumbrance upon any of the Collateral to any person, association, firm, corporation, entity or governmental agency or instrumentality other than warehouse liens, packer's liens or copacker's liens arising in the ordinary course of business;

b. Permit any levy, attachment or restraint to be made affecting any of Borrower's assets;

- c. Permit any Judicial Officer or Assignee to be appointed or to take possession of any or all of Borrower's assets;
- d. Sublicense Trademark Rights other than contracts for the sale or distribution of finished products utilizing Specified Trademarks entered into in the ordinary course of its business; provided, however, Borrower may sublicense Specified Trademarks in the ordinary course of its business so long as within ten (10) days after entering into each such sublicense, Borrower shall give notice to Bank of such sublicense and the name and address of the sublicensee and a copy of the sublicense;
- e. Change its name, business structure, corporate identity or structure; add any new fictitious names, liquidate, merge or consolidate with or into any other business organization;
- f. Move or relocate any Collateral, except in the ordinary course of business and subject to Section 6.5;
- g. Acquire any other business organization;
- h. Enter into any transaction or series of transactions aggregating \$100,000 or more which are not in the ordinary course of Borrower's business;
- i. Make any investment in securities of any person, association, firm, entity, or corporation other than the securities of the United States of America; provided, however, that the Borrower may invest in the securities of Hansen Beverage Company (UK) Limited in the maximum amount of \$100,000.00;
- j. Make any change in Borrower's financial structure or in any of its business objectives, purposes or operations which would adversely effect the ability of Borrower to repay Borrower's Obligations;
- k. Incur any debts outside the ordinary course of Borrower's business except renewals or extensions of existing debts and interest thereon;
- l. Make any advance or loan except in the ordinary course of Borrower's business as currently conducted;
- m. Make loans, advances or extensions of credit in excess of \$5,000 to any Person, except for sales on open account and otherwise in the ordinary course of business;
- n. Guarantee or otherwise, directly or indirectly, in any way be or become responsible for obligations of any other Person, whether by agreement to purchase the indebtedness of any other Person, agreement for the furnishing of funds to any other Person through the furnishing of goods, supplies or services, by way of stock purchase, capital contribution, advance or loan, for the purpose of paying or discharging (or causing the payment or discharge of) the indebtedness of any other Person, or otherwise, except for the endorsement of negotiable instruments by the Borrower in the ordinary course of business for deposit or collection.
- o. (a) Sell, lease, transfer or otherwise dispose of properties and assets in any 12-month period having an aggregate book value of more than One Hundred Thousand Dollars (\$100,000) (whether in one transaction or in a series of transactions) except as to the sale of inventory in the ordinary course of business; (b) change its name, consolidate with or merge into any other corporation, permit another corporation to merge into it, acquire all or substantially all the properties or assets of any other Person, enter into any reorganization or recapitalization or reclassify its capital stock, or (c) enter into any sale-leaseback transaction or transactions involving \$100,000 or more in the aggregate;
- p. Subordinate any indebtedness due to it from a person to indebtedness of other creditors of such person;

q. Purchase or hold beneficially any stock or other securities of, or make any investment or acquire any interest whatsoever in, any other Person, except for the common stock of the Subsidiaries owned by the Borrower on the date of this Agreement and except for certificates of deposit with maturities of one year or less of United States commercial banks with capital, surplus and undivided profits in excess of \$100,000,000 and direct obligations of the United States Government maturing within one year from the date of acquisition thereof; or

r. Allow any fact, condition or event to occur or exist with respect to any employee pension or profit sharing plans established or maintained by it which might constitute grounds for termination of any such plan or for the court appointment of a trustee to administer any such plan.

6.7 Borrower's sole place of business or chief executive office or residence is located at the address indicated above and Borrower covenants and agrees that it will not, during the term of this Agreement, without prior written notification to Bank, relocate said sole place of business or chief executive office or residence.

6.8 Borrower represents, warrants and covenants as follows:

a. Borrower will not make any distribution or declare or pay any dividend (in stock or in cash) to any shareholder or on any of its capital stock, of any class, whether now or hereafter outstanding, or purchase, acquire, repurchase, redeem or retire any such capital stock; provided however, that Borrower may declare and pay a cash dividend in cash or in stock in an amount not in excess of current retained earnings in any calendar year in which the Borrower has made Profit Recapture Payments under the Term Loan Note;

b. Borrower is and shall at all times hereafter be a corporation duly organized and existing in good standing under the laws of the state of its incorporation and qualified and licensed to do business in California or any other state in which it conducts its business;

c. Borrower has the right and power and is duly authorized to enter into this Agreement; and

d. The execution by Borrower of this Agreement shall not constitute a breach of any provision contained in Borrower's articles of incorporation or bylaws.

6.9 The execution of and performance by Borrower of all of the terms and provisions contained in this Agreement shall not result in a breach of or constitute an event of default under any agreement to which Borrower is now or hereafter becomes a party.

6.10 Borrower shall promptly notify Bank in writing of its acquisition by purchase, lease or otherwise of any after acquired property of the type included in the Collateral having an aggregate value in excess of \$100,000, with the exception of purchases of Inventory in the ordinary course of business.

6.11 All assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against, Borrower or any of its property have been paid, and shall hereafter be paid in full, before delinquency. Borrower shall make due and timely payment or deposit of all federal, state and local taxes, assessments or contributions required of it by law, and will execute and deliver to Bank, on demand, appropriate certificates attesting to the payment or deposit thereof. Borrower will make timely payment or deposit of all F.I.C.A. payments and withholding taxes required of it by applicable laws, and will upon request furnish Bank with proof satisfactory to it that Borrower has made such payments or deposit. If Borrower fails to pay any such assessment, tax, contribution, or make such deposit, or furnish the required proof, Bank may, in its sole and absolute discretion and without notice to Borrower,

(i) make payment of the same or any part thereof; or (ii) set up such reserves in Borrower's account as Bank deems necessary to satisfy the liability therefor, or both. Bank may conclusively rely on the usual statements of the amount owing or other official statements issued by the appropriate governmental agency. Each amount so paid or deposited by Bank shall constitute a Bank Expense and an additional advance to Borrower.

6.12 There are no actions or proceedings pending by or against Borrower or any guarantor of Borrower before any court or administrative agency and Borrower has no knowledge of any pending, threatened or imminent litigation, governmental investigations or claims, complaints, actions or prosecutions involving Borrower or any guarantor of Borrower, except as heretofore specifically disclosed in writing to Bank. If any of the foregoing arise during the term of the Agreement, Borrower shall immediately notify Bank in writing.

6.13 a. Borrower, at its expense, shall keep and maintain its assets insured against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against by other owners who use such properties in similar businesses for the full insurable value thereof. Borrower shall also keep and maintain business interruption insurance and public liability and property damage insurance relating to Borrower's ownership and use of the Collateral and its other assets. All such policies of insurance shall be in such form, with such companies, and in such amounts as may be satisfactory to Bank. Borrower shall deliver to Bank certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All such policies of insurance (except those of public liability and property damage) shall contain an endorsement in a form satisfactory to Bank showing Bank as a loss payee thereof, with a waiver of warranties (Form 438-BFU), and all proceeds payable thereunder shall be payable to Bank and, upon receipt by Bank, shall be applied on account of the Obligations owing to Bank. To secure the payment of the Obligations, Borrower grants Bank a security interest in and to all such policies of insurance (except those of public liability and property damage) and the proceeds thereof, and Borrower shall direct all insurers under such policies of insurance to pay all proceeds thereof directly to Bank.

b. Borrower hereby irrevocably appoints Bank (and any of Bank's officers, employees or agents designated by Bank) as Borrower's attorney for the purpose of making, selling and adjusting claims under such policies of insurance, endorsing the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance. Borrower will not cancel any of such policies without Bank's prior written consent. Each such insurer shall agree by endorsement upon the policy or policies of insurance issued by it to Borrower as required above, or by independent instruments furnished to Bank, that it will give Bank at least ten (10) days written notice before any such policy or policies of insurance shall be altered or canceled, and that no act or default of Borrower, or any other person, shall affect the right of Bank to recover under such policy or policies of insurance required above or to pay any premium in whole or in part relating thereto. Bank, without waiving or releasing any Obligations or any Event of Default, may, but shall have no obligation to do so, obtain and maintain such policies of insurance and pay such premiums and take any other action with respect to such policies which Bank deems advisable. All sums so disbursed by Bank, as well as reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall constitute Bank Expenses and are payable on demand.

c. Borrower grants to the Bank power of attorney, having full authority in the place of the Borrower and in the name of Borrower, from time to time after the occurrence of an Event of Default, to take any action and to execute any instrument which the Bank deems necessary or advisable to accomplish the purposes of this Agreement, including without limitation to transfer the Trademark Rights and the right, title and interest of the Borrower in and to the Specified Trademarks.

6.14 All financial statements and information relating to Borrower and Hansen Natural which have been or may hereafter be delivered by Borrower to Bank are true and correct and have been prepared in accordance with GAAP consistently applied and there has been no material adverse change in the financial condition of Borrower or Hansen Natural since the submission of such financial information to Bank.

6.15 a. Borrower at all times hereafter shall maintain a standard system of accounting in accordance with GAAP consistently applied and customarily used in Borrower's industry, with ledger and account cards and/or computer tapes and computer disks, computer printouts and computer records pertaining to the Collateral which contain information as may from time to time be requested by Bank, not modify or change its method of accounting or enter into, modify or terminate any agreement presently existing, or at any time hereafter entered into with any third party accounting firm and/or service bureau for the preparation and/or storage of Borrower's accounting records without the written consent of Bank first obtained and without said accounting firm and/or service bureau agreeing to provide information regarding the Receivables and Inventory and Borrower's financial condition to Bank; permit Bank and any of its employees, officers or agents, upon demand, during Borrower's usual business hours, or the usual business hour of third persons having control thereof, to have access to and examine all of the Borrower's Books relating to the Collateral, Borrower's Obligations to Bank, Borrower's financial condition and the results of Borrower's operations and in connection therewith, permit Bank or any of its agents, employees or officers to copy and make extracts therefrom. The costs and expenses of Bank in performing two such examinations each calendar year shall be Bank Expenses provided that upon the occurrence and during the continuance of any default, all costs and expenses of any such examination shall be Bank Expenses.

b. Borrower shall deliver to Bank (i) within thirty (30) days after the end of each calendar month, a Borrower prepared unaudited balance sheet and profit and loss statement covering Borrower's operations, certified as true and correct by the chief financial officer of the Borrower; (ii) within ninety (90) days after the end of each of Borrower's fiscal years audited financial statement of the Borrower for each such fiscal year, including but not limited to, a balance sheet and profit and loss statement, with an unqualified opinion thereon from the Borrower's independent accountant; (iii) within ninety (90) days after the end of each of Borrower's fiscal years the Borrower's Annual Report on Form 10-K as filed with the U. S Securities and Exchange Commission; (iv) within sixty (60) days of the end of each fiscal quarter of Borrower the Borrower's Quarterly Report on Form 10-Q as filed with the U. S. Securities and Exchange Commission and any other report requested by Bank relating to the Collateral and the financial condition of Borrower, and (v) at the time of delivery of the items described in clauses (i) and (ii) of this paragraph, a certificate signed by an authorized employee of Borrower to the effect that all reports, statements, computer disk or tape files, computer printouts, computer runs, or other computer prepared information of any kind or nature relating to the foregoing or documents delivered or caused to be delivered to Bank under this subparagraph are complete, correct and fairly present the financial condition of borrower and (vi) within 60 days of each quarter end of Borrower, a certificate signed by the Chief Executive Officer and the Chief Financial Officer of the Borrower that the representations and warranties of the Borrower are true and correct as of the date thereof, that the Borrower has complied with all covenants of the Borrower and that no condition or event which constitutes a breach or Event of Default under this Agreement is in existence on the date thereof.

c. In addition to the financial statements requested above, the Borrower agrees to provide Bank with the following schedules, within 20 days of the end of the applicable month:

Accounts Receivable Agings	on a monthly basis:
Accounts Payable Agings	on a monthly basis;
Listing of all Inventory	on a monthly basis

6.16 Hansen Natural shall maintain the following financial ratios and covenants on a consolidated basis:

a. Working Capital in an amount not less than \$700,000.00 as of the date of this Agreement; \$800,000 as of June 30, 1997; \$1,000,000 as of September 30, 1997; \$1,000,000 as of December 31, 1997; and in an amount mutually determined by the Bank and the Borrower on the basis of good faith negotiations commenced upon and after the delivery by Borrower of its 1998 projections with respect to quarters ending March 31, 1998 and each quarter thereafter.

b. Net Worth in an amount (i) not less than \$8,400,000 for each fiscal quarter ending in calendar year 1997; not less than \$8,400,000 plus Net Income (to the extent such Net Income is a positive amount) for calendar year 1997 for each fiscal quarter ending in calendar year 1998, and not less than \$8,400,000 plus Net Income (to the extent such Net Income is a positive amount) for all calendar years preceding the date of determination but after January 1, 1997, for each fiscal quarters ending in 1998 and subsequent years.

c. a ratio of Total Liabilities to Net Worth of less than 1.25:1.0.

d. a ratio of Cash Flow to Current Maturities of Long Term Debt of not less than 1.25:1.0.

e. Borrower shall not without Bank's prior written consent acquire or expend for or commit itself to acquire or expend for fixed assets by lease, purchase or otherwise, or incur new long-term debt in an aggregate amount that exceeds One Hundred and Twenty Five Thousand Dollars and No Cents (\$125,000.00) in any fiscal year; and

All financial covenants shall be computed in accordance with GAAP consistently applied except as otherwise specifically set forth in this Agreement. All monies due from affiliates (including officers, directors and shareholders) shall be excluded from Borrower's assets for all purposes hereunder.

In the event that Borrower reasonably expects that it may be in noncompliance with one or more of the financial covenants set forth in this Section 6.16 in the following period of determination by virtue of the operation of SFAS 123 or any other accounting changes hereinafter adopted as GAAP, Borrower shall so notify the Bank and thereafter, to the extent permitted by law, such compliance shall be determined without regard to SFAS 123 or such changes to GAAP.

6.17 Borrower shall promptly supply Bank (and cause any guarantor to supply Bank) with such other information (including tax returns) concerning its financial affairs (or that of any guarantor) as Bank may request from time to time hereafter, and shall promptly notify Bank of any material adverse change in Borrower's financial condition and of any condition or event which constitutes a breach of or an event which constitutes an Event of Default under this Agreement.

6.18 Borrower is now and shall be at all times hereafter solvent and able to pay its debts (including trade debts) as they mature.

6.19 Borrower shall immediately and without demand reimburse Bank for all sums expended by Bank in connection with any action brought by Bank to correct any default or enforce any provision of this Agreement, including all Bank Expenses; Borrower authorizes and approves all advances and payments by Bank for items described in this Agreement as Bank Expenses.

6.20 Each warranty, representation and agreement contained in this Agreement shall be automatically deemed repeated with each advance and shall be conclusively presumed to have been relied on by Bank regardless of any investigation made or information possessed by Bank. The warranties, representations and agreements set forth herein shall be cumulative and in addition to any and all other warranties, representations and agreements which Borrower shall give, or cause to be given, to Bank, either now or hereafter.

6.21 Borrower shall keep all of its primary bank accounts with Bank and shall notify the Bank immediately in writing of the existence of any other bank account, deposit account, or any other account into which money may be deposited.

6.22 Borrower shall furnish to the Bank: (a) as soon as possible, but in no event later than thirty (30) days after Borrower knows or has reason to know that any reportable event with respect to any formal deferred compensation plan has occurred, a statement of the chief financial officer of Borrower setting forth the details concerning such reportable event and the action which Borrower proposes to take with respect thereto, together with a copy of the notice of such reportable event given to the Pension Benefit Guaranty Corporation, if a copy of such notice is available to Borrower; (b) promptly after the filing thereof with the United States Secretary of Labor or the Pension Benefit Guaranty Corporation, copies of each annual report with respect to each deferred compensation plan; (c) promptly after receipt thereof, a copy of any notice Borrower may receive from the Pension Benefit Guaranty Corporation or the Internal Revenue Service with respect to any deferred compensation plan; provided, however, this subparagraph shall not apply to notice of general application issued by the Pension Benefit Guaranty Corporation or the Internal Revenue Service; and (d) when the same is made available to participants in the deferred compensation plan, all notices and other forms of information from time to time disseminated to the participants by the administrator of the deferred compensation plan.

6.23 Borrower is now and shall at all times hereafter remain in compliance with all federal, state and municipal laws, regulations and ordinances relating to the handling, treatment and disposal of toxic substances, wastes and hazardous material and shall maintain all necessary authorizations and permits.

6.24 Borrower shall with diligence and in good faith take such action as shall be reasonably necessary to finalize the amount payable under the ERLY Note (whether through negotiation or litigation, or both), and pay the amount so determined promptly after such determination.

7. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute a default by Borrower under this Agreement:

a. If Borrower fails or neglects to perform, keep or observe any term, provision, condition, covenant, agreement, warranty or representation contained in this Agreement, or any other present or future agreement between Borrower and Bank;

b. If any representation, statement, report or certificate made or delivered by Borrower, or any of its officers, employees or agents to Bank is not true and correct;

c. If Borrower fails to pay when due and payable or declared due and payable, all or any portion of the Borrower's Obligations (whether of principal, interest, taxes, reimbursement of Bank Expenses, or otherwise) and such failure continues for three (3) business days after written notice of such failure;

d. If there is a material impairment of the prospect of repayment of all or any portion of Borrower's Obligations or a material impairment of the value or priority of Bank's security interest in the Collateral, including, without limitation, any action by any subcontractor or warehouseman holding or asserting a lien in Collateral or asserting a setoff right ;

e. If all or any of Borrower's assets are attached, seized, subject to a writ or distress warrant, or are levied upon, or come into the possession of any Judicial Officer or Assignee and the same are not released, discharged or bonded against within ten (10) days thereafter;

f. If any Insolvency Proceeding is filed or commenced by or against Borrower without being dismissed within ten (10) days thereafter;

g. If any proceeding is filed or commenced by or against Borrower for its dissolution or liquidation;

h. If Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

i. If a notice of lien, levy or assessment is filed of record with respect to any or all of Borrower's assets by the United States Government, or any department, agency or instrumentality thereof, or by any state, county, municipal or other government agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any or all of the Borrower's assets and the same is not paid on the payment date thereof;

j. If a judgment or other claim becomes a lien or encumbrance upon any or all of Borrower's assets and the same is not satisfied, dismissed or bonded against within ten (10) days thereafter;

k. If Borrower's records are prepared and kept by an outside computer service bureau at the time this Agreement is entered into or during the term of this Agreement such an agreement with an outside service bureau is entered into, and at any time thereafter, without first obtaining the written consent of Bank, Borrower terminates, modifies, amends or changes its contractual relationship with said computer service bureau or said computer service bureau fails to provide Bank with any requested information or financial data pertaining to Bank's Collateral, Borrower's financial condition or the results of Borrower's operations;

l. If Borrower permits a default in any material agreement to which Borrower is a party with third parties so as to result in an acceleration of the maturity of Borrower's indebtedness to others, whether under any indenture, agreement or otherwise;

m. If Borrower makes any payment on account of indebtedness which has been formally subordinated to Borrower's Obligations to Bank without the prior written consent of Bank;

n. If any misrepresentation exists now or thereafter in any warranty or representation made to Bank by any officer or director of Borrower, or if any such warranty or representation is withdrawn by any officer or director;

o. If any party subordinating its claims to that of Bank's or any guarantor of Borrower's Obligations dies or terminates its subordination or guaranty, becomes insolvent or an Insolvency Proceeding is commenced by or against any such subordinating party or guarantor;

p. If there is a change of ownership or control of twenty-five percent (25.00%) or more of the issued and outstanding stock of Borrower; or

q. If any reportable event, which the Bank determines constitutes grounds for the termination of any deferred compensation plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer any such plan, shall have occurred and be continuing thirty (30) days after written notice of such determination shall have been given to Borrower by Bank, or any such Plan shall be terminated within the meaning of Title IV of the Employment Retirement Income Security Act ("ERISA"), or a trustee shall be appointed by the appropriate United States District Court to administer any such plan, or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any plan and in case of any event described in this Section 7.q, the aggregate amount of the Borrower's liability to the Pension Benefit Guaranty Corporation under Sections 4062, 4063 or 4064 of ERISA shall exceed five percent (5%) of Borrower's Net Worth.

r. If Borrower shall default under, or permit any other party to default under, any of the Trademark Rights. Without limiting the generality of the foregoing, Borrower shall not terminate, nor take any action which would give grounds to any other party to terminate the Carbonated Beverage License Agreement dated July 27, 1992, the Other Beverage License Agreement dated July 27, 1992 or the Royalty Sharing Agreement dated July 27, 1992.

Notwithstanding anything contained in Section 7 to the contrary, Bank shall refrain from exercising its rights and remedies and Event of Default shall thereafter not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 7.e, 7.f or 7.j of this Agreement if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, if the event is the institution of Insolvency Proceedings against Borrower, Bank shall not be obligated to make advances to Borrower during such cure period.

8. BANK'S RIGHTS AND REMEDIES.

8.1 Upon the occurrence of an Event of Default by Borrower under this Agreement, Bank may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

- a. Declare Borrower's Obligations, whether evidenced otherwise, immediately due and payable to the Bank;
- b. Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement, or any other agreement between Borrower and Bank;
- c. Terminate this Agreement as to any future liability or obligation of Bank, but without affecting Bank's rights and security interests in the Collateral, and the Obligations of Borrower to Bank;
- d. Without notice to or demand upon Borrower or any guarantor, make such payments and do such acts as Bank considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Bank so requires and to make the Collateral available to Bank as Bank may designate. Borrower authorizes Bank to enter the premises where the Collateral is located, take and maintain possession of the Collateral and the premises (at no charge to Bank), or any part thereof, and to pay, purchase, contest or compromise any encumbrance, charge or lien which in the opinion of Bank appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith;
- e. Without limiting Bank's rights under any security interest, Bank is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral and Borrower's rights under all licenses and all franchise agreement shall inure to Bank's benefit, and Bank shall have the right and power to enter into sublicense agreements with respect to all such rights with third parties on terms acceptable to Bank; at the election of Bank, Bank shall be substituted as the Licensee under the Carbonated Beverage License Agreement and/or the Other Beverage License Agreement referred to in Section 1.37 and/or in place of Borrower as a party to the Royalty Sharing Agreement referred to in Section 1.37, and Borrower hereby assigns and grants such rights of substitution to Bank;
- f. Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sales and sell (in the manner provided for herein) the Inventory;
- g. Sell or dispose the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as is commercially reasonable in the opinion of Bank. It is not necessary that the Collateral be present at any such sale;

h. Bank shall give notice of the disposition of the Collateral as follows:

(1) Bank shall give the Borrower and each holder of a security interest in the Collateral who has filed with Bank a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made;

(2) The notice shall be personally delivered or mailed, postage prepaid, to Borrower's address appearing in this Agreement, at least ten (10) calendar days before the date fixed for the sale, or at least ten (10) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Bank;

(3) If the sale is to be a public sale, Bank shall also give notice of the time and place by publishing a notice one time at least ten (10) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held; and

(4) Bank may credit bid and Purchase at any public sale.

i. Borrower shall pay all Bank Expenses incurred in connection with Bank's enforcement and exercise of any of its rights and remedies as herein provided, whether or not suit is commenced by Bank;

j. Any deficiency which exists after disposition of the Collateral as provided above will be paid immediately by Borrower. Any excess will be returned, without interest and subject to the rights of third parties, to Borrower by Bank, or, in Bank's discretion, to any party who Bank believes, in good faith, is entitled to the excess; and

k. Without constituting a retention of Collateral in satisfaction of an obligation within the meaning of 9505 of the Uniform Commercial Code or an action under California Code of Civil Procedure 726, apply any and all amounts maintained by Borrower as deposit accounts (as that term is defined under 9105 of the Uniform Commercial Code) or other accounts that Borrower maintains with Bank against the Obligations.

8.2 Bank's rights and remedies under this Agreement and all other agreements shall be cumulative. Bank shall have all other rights and remedies not inconsistent herewith as provided by law or in equity. No exercise by Bank of one right or remedy shall be deemed an election, and no waiver by Bank of any default on Borrower's part shall be deemed a continuing waiver. No delay by Bank shall constitute a waiver, election or acquiescence by Bank.

9. TAXES AND EXPENSES REGARDING BORROWER'S PROPERTY.

If Borrower fails to pay promptly when due to another person or entity, monies which Borrower is required to pay by reason of any provision in this Agreement, Bank may, but need not, pay the same and charge Borrower's account therefor, and Borrower shall promptly reimburse Bank. All such sums shall become additional indebtedness owing to Bank, shall bear interest at the rate hereinabove provided, and shall be secured by all Collateral. Any payments made by Bank shall not constitute (i) an agreement by it to make similar payments in the future; or (ii) a waiver by Bank of any default under this Agreement. Bank need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance or lien and the receipt of the usual official notice of the payment thereof shall be conclusive evidence that the same was validly due and owing. Except with respect to payment of any tax, Bank shall make reasonable inquiry of Borrower regarding payment prior to making any such payment. Such payments shall constitute Bank Expenses and additional advances to Borrower.

10. WAIVERS.

10.1 Borrower agrees that checks and other instruments received by Bank in payment or on account of Borrower's Obligations constitute only conditional payment until such items are actually paid to Bank and Borrower waives the right to direct the application of any and all payments at any time or times hereafter received by Bank on account of Borrower's Obligations and Borrower agrees that Bank shall have the continuing exclusive right to apply and reapply such payments in any manner as Bank may deem advisable, notwithstanding any entry by Bank upon its books.

10.2 Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, documents, instruments chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

10.3 Bank shall not in any way or manner be liable or responsible for (a) the safekeeping of the Inventory; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency or other person whomsoever. All risk of loss, damage or destruction of Inventory shall be borne by Borrower.

10.4 Borrower waives the right and the right to assert a confidential relationship, if any, it may have with any accountant, accounting firm and/or service bureau or consultant in connection with any information requested by Bank pursuant to or in accordance with this Agreement, and agrees that a Bank may contact directly any such accountants, accounting firm and/or service bureau or consultant in order to obtain such information.

10.5 BORROWER AND BANK EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY TRANSACTION HEREUNDER, OR CONTEMPLATED HEREUNDER, OR ANY OTHER CLAIM (INCLUDING TORT OR BREACH OF DUTY CLAIMS) OR DISPUTE HOWSOEVER ARISING BETWEEN BANK AND BORROWER.

10.6 In the event that Bank elects to waive any rights or remedies hereunder, or compliance with any of the terms hereof, or delays or fails to pursue or enforce any terms, such waiver, delay or failure to pursue or enforce shall only be effective with respect to that single act and shall not be construed to affect any subsequent transactions or Bank's right to later pursue such rights and remedies.

11. ONE CONTINUING LOAN TRANSACTION.

All loans and advances heretofore, now or at any time or times hereafter made by Bank to Borrower under this Agreement or any other agreement between Bank and Borrower, shall constitute one loan secured by Bank's security interests in the Collateral and by all other security interests, liens, encumbrances heretofore, now or from time to time hereafter granted by Borrower to Bank.

Notwithstanding the above, (i) to the extent that any portion of the Obligations are a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in the Borrower's principal dwelling which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the Borrower (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering real property, that deed of trust or mortgage shall not secure the loan and any other Obligation of the Borrower (or any of them), unless expressly provided to the contrary in another place.

12. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by either party on the other relating to this Agreement shall be in writing and sent by regular United States mail, postage prepaid, properly addressed to Borrower or to Bank at the addresses stated in this Agreement, or to such other addresses as Borrower or Bank may from time to time specify to the other in writing. Requests to Borrower by Bank hereunder may be made orally.

13. AUTHORIZATION TO DISBURSE.

Bank is hereby authorized to make loans and advances hereunder upon telephonic or other instructions received from anyone purporting to be an officer, employee, or representative of Borrower, or at the discretion of Bank if said loans and advances are necessary to meet any Obligations of Borrower to Bank. Bank shall have no duty to make inquiry or verify the authority of any such party, and Borrower shall hold Bank harmless from any damage, claims or liability by reason of Bank's honor of, or failure to honor, any such instructions.

14. DESTRUCTION OF BORROWER'S DOCUMENTS.

Any documents, schedules, invoices or other papers delivered to Bank, may be destroyed or otherwise disposed of by Bank six (6) months after they are delivered to or received by Bank, unless Borrower requests, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return.

15. CHOICE OF LAW.

The validity of this Agreement, its construction, interpretation and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined according to the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts in the Northern District of California or County of Santa Clara.

16. GENERAL PROVISIONS.

16.1 This Agreement shall be binding and deemed effective when executed by the Borrower and accepted and executed by Bank at its Headquarter Office.

16.2 This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties, provided, however, that Borrower may not assign this Agreement or any rights hereunder without Bank's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Bank shall release Borrower or any guarantor from their Obligations to Bank. Bank may assign this Agreement and its rights and duties hereunder. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Bank's rights and benefits hereunder. In connection therewith, Bank may disclose all documents and information which Bank now or hereafter may have relating to Borrower or Borrower's business.

16.3 Paragraph headings and paragraph numbers have been set forth herein for convenience only; unless the contrary is compelled by the context, everything contained in each paragraph applies equally to this entire Agreement.

16.4 Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Bank or Borrower, whether under any rule of construction or otherwise; on the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. When permitted by the context, the singular includes the plural and vice versa.

16.5 Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

16.6 This Agreement cannot be changed or terminated orally. Except as to currently existing Obligations owing by Borrower to Bank, all prior agreements, understandings, representations, warranties, and negotiations, if any, with respect to the subject matter hereof, are merged into this Agreement.

16.7 The parties intend and agree that their respective rights, duties, powers liabilities, obligations and discretions shall be performed, carried out, discharged and exercised reasonably and in good faith.

IN WITNESS WHEREOF, the parties hereto have caused this Revolving Credit Loan & Security Agreement (Accounts and Inventory) to be executed as of the date first hereinabove written.

ATTEST:

Title:

Accepted and effective as of _____
at Bank's Headquarter Office

(Bank)

By: _____
Title: _____

BORROWER:
HANSEN BEVERAGE COMPANY
By: _____
Signature of

Title: _____

As of May 15, 1997, for value received, the undersigned ("Debtor") grants to Comerica Bank-California ("Bank"), a California banking corporation, a continuing security interest in the Collateral (as defined below) to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness ("Indebtedness") to the Bank of Hansen Beverage Company, a Delaware corporation ("Borrower") and/or Debtor. Indebtedness includes without limit any and all obligations or liabilities of the Borrower and/or Debtor to the Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which the Borrower and/or Debtor would otherwise be liable to the Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Borrower and/or Debtor or in connection with any proceeding involving Bank as a result of any financial accommodation to Borrower and/or Debtor; and all other costs of collecting Indebtedness, including without limit attorney fees. Debtor agrees to pay Bank all such costs incurred by the Bank, immediately upon demand, and until paid all costs shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to attorney fees shall be deemed a reference to reasonable fees, costs, and expenses of both in-house and outside counsel and paralegals, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorney fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise.

1. Collateral shall mean all the following property Debtor now or later owns or has an interest in, wherever located:

(a) All Accounts Receivable (For purposes of this Agreement "Accounts Receivable" consists of all accounts, general intangibles, chattel paper, deposit accounts, documents and instruments).

(b) All Inventory.

(c) All Equipment and Fixtures.

Specific items listed below are also included in Collateral.

All shares of capital stock of Hansen Beverage Company, a Delaware corporation

All investment property, as defined in Section 9115 of the California Commercial Code

All goods, instruments, investment property, documents, policies and certificates of insurance, deposits, money or other property (except real property which is not a fixture) which are now or later in possession of Bank, or as to which Bank now or later controls possession by documents or otherwise.

All additions, attachments, accessions, parts, replacements, substitutions, renewals, interest, dividends, distributions, rights of any kind (including but not limited to stock splits, stock rights, voting and preferential rights), products, or proceeds of or pertaining to the above including, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

2. Warranties, Covenants and Agreements. Debtor warrants, covenants; and agrees as follows:

2.1 Debtor shall furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.

2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favor of Bank and there are no financing statements on file, other than in favor of Bank; and (c) Debtor acquired its rights in the Collateral in the ordinary course of its business.

2.3 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favor of Bank. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except for Inventory and assets in the ordinary course of its business and will not return any Inventory to its supplier other than in the ordinary course of business. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.

2.4 Debtor will do all acts and will execute all writings requested by Bank to establish, maintain and continue a perfected and first security interest of Bank in the Collateral. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which the Bank may have a lien or security interest for payment or the Indebtedness.

2.5 Debtor will pay within the time that they can be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank to Debtor on any Indebtedness.

2.6 Debtor will keep the Collateral in good condition and will protect it from loss, damage, or deterioration from any cause. Debtor has and will maintain at all times (a) with respect to the Collateral, insurance under an "all risk" policy against fire and other risks customarily insured against, and (b) public liability insurance and other insurance as may be required by law or reasonably required by Bank, all of which insurance shall be in amount, form and content, and written by companies as may be satisfactory to Bank, containing a lender's loss payable endorsement acceptable to Bank. Debtor will deliver to Bank immediately upon demand evidence satisfactory to Bank that the required insurance has been procured. If Debtor fails to maintain satisfactory insurance, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest lawful default rate which could be charged by Bank to Debtor on any Indebtedness.

2.7 If Debtor's Accounts Receivable are pledged as Collateral under this Agreement, on each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable, Debtor shall be deemed to have warranted that except as otherwise indicated (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing, (c) there are no setoffs, recoupments, credits, counterclaims or defenses (other than in the ordinary course of business) against any of those Accounts Receivable, (d) as to any Accounts Receivable represented by a note, trade acceptance, draft or other instrument or by any chattel paper or document, if a default has occurred and is continuing, the same have been endorsed and/or delivered by Debtor to Bank, (e) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a receiver for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (f) as to each Account Receivable, the account debtor is not an affiliate of Debtor, the United States of America or any department, agency or instrumentality of it, or a citizen or resident of any jurisdiction outside of the United States (other than as previously approved by Bank). Debtor will do all acts and will execute all writings requested by Bank in accordance with the Revolving Credit Loan and Security Agreement, dated May 15, 1997 (the "Loan Agreement"), between Borrower and Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any modification, compromise or substitution for any Account Receivable (other than in the ordinary course of business) without the prior written consent of Bank. Debtor shall, at Bank's request, arrange for verification of Accounts Receivable directly with account debtors or by other methods acceptable to Bank in accordance with the Loan Agreement.

2.8 Debtor at all times shall be in strict compliance with all applicable laws, including without limit any laws, ordinances, directives, orders, statutes, or regulations an object of which is to regulate or improve health, safety, or the environment ("Environmental Laws").

2.9 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange; such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.

2.10 At any time and without notice upon the occurrence and during the continuance of a default under the Loan Agreement or any document relating to the Indebtedness, Bank may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement.

2.11 Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to Collateral so delivered all the rights and powers of Bank under this Agreement, and after that Bank shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.

2.12 Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.

2.13 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, officers, and directors from and against, any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and reasonable attorneys' fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law, including without limit Environmental Laws, or of any remediation relating to any property required by any law, including without limit Environmental Laws.

3. Collection of Proceeds.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary. Immediately upon notice to Debtor by Bank and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guaranty and all rights in the nature of a lien or security interest which Debtor now or later has regarding Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank or any Bank employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these liens to money. Bank shall have no duty as to the collection or protection of Collateral or the proceeds of it, nor as to the preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral.

3.2 If Accounts Receivable are pledged as Collateral under this Agreement, Debtor agrees that immediately upon Bank's request (whether or not any Event of Default exists), Debtor shall at its sole expense establish and maintain: (a) an United States Post Office lock box (the "Lock Box"), to which Bank shall have exclusive access. Debtor expressly authorizes Bank, from time to time to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than payments by electronic funds transfer) shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and (b) a non-interest bearing deposit account with Bank in the name of Bank for the benefit or Debtor (the "Cash Collateral Account") as security for payment of the Indebtedness to which Bank shall have exclusive access. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted, for the credit of Debtor, to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations necessary to establish and maintain the Lock Box and the Cash Collateral Account.

3.3 All items or amounts which are remitted to the Lock Box or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (i) be applied to the payment of the Indebtedness, whether then due or not, in such order of application as Bank may determine in its sole discretion, or, (ii) shall be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages, loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies under this Agreement. Debtor agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, including without limitation attorney fees.

4. Defaults, Enforcement and Application of Proceeds.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

(a) Any failure to pay the Indebtedness when due, or such portion of it as may be due, by acceleration or otherwise, which failure continues for three (3) business days after written notice thereof; or

(b) Any failure or neglect to comply with, or breach of, any term of this Agreement, or any other agreement or commitment between Borrower, Debtor or any guarantor of any of the Indebtedness ("guarantor") and Bank; or

(c) Any warranty, representation, financial statement, or other information made, given or furnished to Bank by or on behalf of Borrower, Debtor, or any guarantor shall be, or shall prove to have been, false or materially misleading when made, given, or furnished; or

(d) Any loss, theft, substantial damage or destruction to or of any Collateral, or the issuance or filing of any attachment, levy, garnishment or the commencement of any proceeding in connection with any Collateral or of any other judicial process of, upon or in respect of Borrower, Debtor, any guarantor, or any Collateral; or

(e) Sale or other disposition by Borrower, Debtor, or any guarantor of any substantial portion of its assets or property or voluntary suspension of the transaction of business by Borrower, Debtor, or any guarantor, or death, dissolution, termination of existence, merger, consolidation, insolvency, business failure, or assignment for the benefit of creditors of or by Borrower, Debtor, or any guarantor; or commencement of any proceedings under any state or federal bankruptcy or insolvency laws or laws for the relief of debtors by or against Borrower, Debtor, or any guarantor; or the appointment of a receiver, trustee, court appointee, sequestrator or otherwise, for all or any part of the property of Borrower, Debtor, or any guarantor; or

(f) If there is a material impairment of the prospect of repayment of all or any portion of the Indebtedness or a material impairment of the value or priority of Bank's security interest in the Collateral, including, without limitation, any action by any subcontractor or warehouseman holding or asserting a lien in Collateral or asserting a setoff right

Notwithstanding anything contained in Section 4 to the contrary, Bank shall refrain from exercising its rights and remedies and Event of Default shall thereafter not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 4(d) or 4(e) of this Agreement if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, if the event is the institution of Insolvency Proceedings against Borrower, Bank shall not be obligated to make advances to Borrower during such cure period.

4.2 Upon the occurrence of any Event of Default, Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

(a) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;

(b) institute legal proceedings to foreclose upon the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;

(c) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral; and/or

d) personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

Bank shall give notice of the disposition of the Collateral as follows:

(1) Bank shall give Debtor and each holder of a security interest in the Collateral who has filed with Bank a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made;

(2) The notice shall be personally delivered or mailed, postage prepaid, to Debtor's address appearing in this Agreement, at least ten (10) calendar days before the date fixed for the sale, or at least ten (10) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Debtor claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Bank;

(3) If the sale is to be a public sale, Bank shall also give notice of the time and place by publishing a notice one time at least ten (10) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held; and

(4) Bank may credit bid and purchase at any public sale.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

4.3 Debtor shall at the request of Bank, notify the account debtors or obligors of Bank's security interest in Accounts Receivable and direct payment of it to Bank. Bank may, itself, upon the occurrence of any Event of Default so notify and direct any account debtor or obligor.

4.4 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses authorized by the Uniform Commercial Code and all reasonable attorney fees and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand.

4.5 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law for the collection of the Indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor, or any guarantor and Bank.

4.6 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.7 Debtor irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest) the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor:

(a) to demand, receive, sue for, and give receipts or acquittances for any moneys due or to become due on any Account Receivable and to endorse any item representing any payment on or proceeds of the Collateral;

(b) to execute and file in the name of and on behalf of Debtor all financing statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and

(c) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.8 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Bank, to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

5. Miscellaneous.

5.1 Until Bank is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the address indicated in Section 5.15 below.

5.2 Debtor will give Bank not less than 90 days prior written notice of all contemplated changes in Debtor's name, chief executive office location, and/or location of any Collateral, but the giving of this notice shall not in itself cure any Event of Default caused by this change.

5.3 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.4 Bank has the right to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Indebtedness and any related obligations, including without limit this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the Indebtedness or this Agreement, however obtained. The undersigned agree(s) that the Bank may provide information relating to this Security Agreement or to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

5.5 In addition to Bank's other rights, any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any Indebtedness at any time(s) either before or after maturity or demand without notice to anyone.

5.6 Debtor waives any right to require the Bank to: (a) proceed against any person or property; (b) unless otherwise required by the Loan Agreement, give notice of the terms, time and place of any public or private sale of personal property security held from Borrower or any other person, or otherwise comply with the provisions of Section 9-504 of the California or other applicable Uniform Commercial Code; or (c) pursue any other remedy in the Bank's power. Debtor waives notice of acceptance of this Agreement and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Indebtedness, and agree(s) that the Bank may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Indebtedness, or permit Borrower to incur additional Indebtedness, all without notice to Debtor and without affecting in any manner the unconditional obligation of Debtor under this Agreement. Debtor unconditionally and irrevocably waives each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Indebtedness, and acknowledges that as of the date of this Agreement no such defense or setoff exists.

5.7 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) prior to 120 days after full and final payment of the Indebtedness to recover from Borrower any amounts paid by Debtor pursuant to this Agreement.

5.8 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to it at least ten (10) calendar days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or when placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service. The mailing shall be by overnight courier, certified, or first class mail.

5.9 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the Indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.10 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors, and assigns of Debtor. Nothing in this Section 5.10 is deemed a consent by Bank to any assignment by Debtor.

5.11 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

5.12 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Division 9 (or, absent definition in Division 9, in any other Division) of the Uniform Commercial Code, as of the date of this Agreement. "Uniform Commercial Code" means the California Uniform Commercial Code, as amended.

5.13 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to the subject matter of this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of California without regard to conflict of laws principles.

5.14 To the extent that any of the Indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that Indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that Indebtedness at any time(s), whether or not an Event of Default has occurred.

5.15 Debtor's chief executive office is located and, unless otherwise stated in the notice to Bank required by Section 5.2, shall be maintained at 2401 East Katella Avenue, Suite 650, Anaheim, California. Collateral shall be maintained only at the locations identified in this Section 5.15.

5.16 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Bank in any filing office.

5.17 This Agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of the Uniform Commercial Code, but the obligations contained in Section 2.14 of this Agreement shall survive termination.

6. DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

DEBTOR:

HANSEN NATURAL CORPORATION

By: _____

Its: _____

By: _____

Its: _____

SECURITY AGREEMENT IN LICENSE AGREEMENT
AND OTHER AGREEMENTS

This Security Agreement dated May 15, 1997, is made between Comerica Bank-California ("Bank"), a California banking corporation, and Hansen Beverage Company, a Delaware corporation ("Borrower") for the purpose of providing security interests in favor of Bank against certain trademark rights owned by Borrower. This Security Agreement is made with reference to the following facts.

RECITALS

A. Bank has agreed to extend credit to Borrower pursuant to a Revolving Credit Loan and Security Agreement and a Term Loan Note ("Loan Agreement"). In consideration for such extension of credit, Borrower has agreed to pledge and grant a security interest in certain of its assets as collateral for Borrower's obligations under the Loan Agreement.

B. Borrower has entered into three license agreements with Gary Hansen, Anthony Kane, and Burton S. Rosky, as Trustees (collectively "Trustees") with respect to the use of the trademarks HANSEN'S, HANSEN'S NATURAL SODA, GRAPEFRUIT HANSEN'S NATURAL SODA, MANDARIN LIME HANSEN'S NATURAL SODA, and LEMON LIME HANSEN'S NATURAL SODA, specifically, a Carbonated Beverage License Agreement dated July 27, 1992, an Other Beverage License Agreement with Trustees dated July 27, 1992, and a Royalty Sharing Agreement with Trustees dated July 27, 1992. Borrower desires to provide security interests in such agreements in favor of Bank.

NOW THEREFORE, in consideration of the Loan Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows.

1. Definitions. Terms defined in the Loan Agreement and not otherwise defined in this Security Agreement shall have the meanings defined for those terms in the Loan Agreement. As used in this Security Agreement, the following terms shall have the meanings defined in this paragraph.

a. "Trademark Rights" shall mean all of the Borrower's rights under a Carbonated Beverage License Agreement dated July 27, 1992, an Other Beverage License Agreement dated July 27, 1992 and a Royalty Sharing Agreement dated July 27, 1992, and all amendments, supplements and modifications of each or any of the foregoing, such rights to include without limitation (a) all of the Borrower's rights in and to the following trademarks: (i) HANSEN'S; U. S. Trademark Registration No. 1,258,780; (ii) HANSEN'S NATURAL SODA; U.S. Trademark Registration No. 1,258,779; (iii) GRAPEFRUIT HANSEN'S NATURAL SODA; U. S. Trademark Registration No. 1,253,907; (iv) MANDARIN LIME HANSEN'S NATURAL SODA; U. S. Trademark Registration No. 1,243,037; and (v) LEMON-LIME HANSEN'S NATURAL SODA; U. S. Trademark Registration No. (none) (the "Specified Trademarks"), including such rights (but not obligations) as may arise under the Lanham Act, common law, by contract or otherwise to sue in the name of the Borrower or the Bank for past, present or future infringements; (b) all goodwill associated with the Borrower's rights in the Specified Trademarks; (c) all of the Borrower's rights relating to the manufacture, sale or distribution of products utilizing the Specified Trademarks; and (d) all products and proceeds of any of the foregoing whether now or hereafter in existence.

b. "Trademark Collateral" shall mean all of Borrower's Trademark Rights as defined by this Agreement.

c. "Secured Obligations" shall mean the payments due to Bank under the Loan Agreement.

2. Security Agreement. Borrower hereby assigns solely for security to Bank, and grants to Bank a security interest in the Trademark Collateral, as security for the timely payment and performance of the Secured Obligations. This security interest in favor of Bank shall be prior to any security interests of any third parties for any reason whatsoever.

3. Borrower's Representations and Warranties. Borrower represents, warrants, and agrees that (a) Borrower is, and shall continue to be, the licensee pursuant to the Carbonated Beverage License Agreement dated July 27, 1992, the licensee to the Other Beverage License Agreement dated July 27, 1992, and the licensee to the Royalty Sharing Agreement dated July 27, 1992, (b) Borrower shall not sell, assign, transfer, hypothecate, or create or permit to exist any lien upon or security interest in the Trademark Collateral in favor of anyone other than Bank, (c) Borrower has entered into only the licenses and sublicenses with third parties with respect to the Specified Trademarks which are set forth on Exhibit A, except for contracts for the sale or distribution of finished products utilizing Specified Trademarks entered into in the ordinary course of its business and has delivered to Bank true and complete copies of all presently existing assignments and security agreements which may affect title to any of the License Agreements and Royalty Sharing Agreement referred to in clause (a), the Trademark Collateral referred to in clause (b) and the Specified Trademarks referred to in this clause (c) (other than such sale and distribution contracts referred to in clause (c)), and (d) Borrower has full power and authority to execute this Agreement and perform its obligations hereunder, and to subject the Trademark Collateral to the security interest created hereby and by the Loan Documents.

4. Bank's Obligations In Respect to Trademark Collateral. Bank shall be under no duty or obligation whatsoever to take any action to preserve any rights of or against any prior or other party in connection with the Trademark Collateral, to exercise managerial rights with respect to the Trademark Collateral, whether or not an Event of Default (as defined in the Loan Agreement) has occurred, or to make or give any demands for performance, notices of nonperformance, protests, notices of protests, notices of dishonor or notices of any other nature whatsoever in connection with the Trademark Collateral or the Secured Obligations. Bank shall be under no duty or obligation whatsoever to take any action to protect or preserve the Trademark Collateral or any rights of Borrower therein, or to participate in any foreclosure or other proceeding in connection therewith.

5. Bank's Rights Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, Bank shall have the rights set forth in the Loan Agreement with respect to foreclosure on the Trademark Collateral.

6. No Waiver. No delay on the part of Bank in the exercise of any right or remedy under this Security Agreement or under the Loan Agreement shall operate as a waiver thereof, and no single or partial exercise by Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy of Bank.

7. Release of Trademark Collateral. This Security Agreement shall terminate when all Secured Obligations have been paid in full. Upon such termination and at Borrower's reasonable request and sole expense, Bank shall (a) return any Trademark Collateral to Borrower or to the person(s) or entity(ies) legally entitled thereto, (b) shall endorse, execute, deliver, record and file all instruments and documents (including without limitation, Form UCC-3 termination statements), (c) do all other acts and things, reasonably required for the return of the Trademark Collateral to Borrower or to the person(s) or entity(ies) legally entitled thereto, and (d) evidence or document the release of Bank's security interests arising under this Security Agreement.

8. Governing Law. This Security Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Security Agreement by their duly authorized officers as of the date listed on page 1 of this Security Agreement.

Date: May __, 1997

Name: _____
Title: _____

ACKNOWLEDGMENT

State of _____)
County of _____)SS.

On May ____, 1997, before me, _____, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. WITNESS my hand and official seal.

Signature_____

(This area for official seal)

COMERICA BANK

Date: May __, 1997

Name: _____
Title: _____

ACKNOWLEDGMENT

State of _____)
County of _____)SS.

On May ____, 1997, before me, _____, personally appeared

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. WITNESS my hand and official seal.

Signature_____

(This area for official seal)

INVENTORY RIDER
(REVOLVING ADVANCE)

Borrower(s): HANSEN BEVERAGE COMPANY

Borrower has entered into a certain Revolving Credit Loan and Security Agreement (Accounts and Inventory)(hereinafter referred to as "Agreement") dated May 15, 1997 with Bank (Secured Party). This INVENTORY RIDER (hereinafter referred to as this Rider) dated May 15, 1997 is hereby made a part of and incorporated into that agreement.

1. At the request of Borrower, made at any time and from time to time during the term of the Agreement, and so long as no event of default under the Agreement has occurred and Borrower is in full, faithful and timely compliance with each and all of the covenants, conditions, warranties and representations contained in the Agreement, this Rider and/or any other agreement between Bank and Borrower, Bank agrees to lend Borrower fifty three percent (53.00%) of the lower of cost or market value of Borrower's finished goods Inventory and Inventory consisting of apple juice concentrate ("Eligible Inventory"), and as may be adjusted by Bank, in Bank's discretion, for age and seasonality or other factors affecting the value of the Inventory, up to a maximum advance outstanding at any one time of One Million, Five Hundred Thousand Dollars (\$1,500,000) upon Borrower's concurrent execution and delivery to Bank of a Designation of Eligible Inventory, or Certification of Borrowing Base, in form customarily used by Bank; provided, however, that for a period of sixty consecutive days during each calendar year, which period shall commence no later than October 1 of each such year, such Inventory Borrowing Base shall be reduced to zero and the Borrower shall be required, immediately upon the commencement of such period shall to pay down and maintain at zero the amount of the Credit attributable to the Inventory Borrowing Base. All advances made and to be made pursuant to this Rider are solely and exclusively for working capital purposes including enabling Borrower to acquire rights in and purchase new Inventory, and Borrower represents and warrants that all advances by Bank pursuant to this Rider will be used solely and exclusively for such purpose; and since such advances will be used for the foregoing purposes, Bank's security interest in Borrower's Inventory is and shall be at all times a purchase money security interest as that term is described in Section 9107 of the California Uniform Commercial Code.

2. Advances made by Bank to Borrower pursuant to this Rider shall be included as part of the Obligations of Borrower to Bank as the term "Obligations" is defined in the Agreement; and at Bank's option, advances pursuant to this Rider may be evidenced by promissory note(s), in form and on terms satisfactory to Bank. All such advances shall bear interest at the rate and be payable in the manner specified in said promissory note(s) in the event Bank exercises the aforementioned option, and in the event Bank does not, such advances shall bear interest at the rate and be payable in the manner specified in the Agreement.

3. All of the terms, covenants, warranties, conditions, agreements and representations of the Agreement are incorporated herein as though set forth in their entirety and are hereby reaffirmed by Borrower and Bank as though fully set forth hereat.

BORROWER:
HANSEN BEVERAGE COMPANY

By: _____

By: _____ :

Accepted this _____ day of May at Bank's place of business in _____.

By:

EQUIPMENT
RIDER

Borrower(s): HANSEN BEVERAGE COMPANY

Borrower has entered into a certain Revolving Credit Loan and Security Agreement (Accounts and Inventory) (hereinafter referred to as "Agreement," dated May 15, 1997 with Bank (Secured Party). This EQUIPMENT RIDER (hereinafter referred to as this Rider) dated May 15, 1997 is hereby made a part of and incorporated into that Agreement.

1. Borrower grants to Bank a security interest in the following (hereinafter referred to as "Equipment"):

- (a) All of Borrower's present machinery, equipment, fixtures, vehicles, office equipment, furniture, furnishings, tools, dies, jigs and attachments, wherever located;
- (b) all of Borrower's additional equipment, wherever located, of like or unlike nature, to be acquired hereafter, and all replacements, substitutes, accessions, additions and improvements to any of the foregoing; and
- (c) all of Borrower's general Intangibles, including without limitation, computer programs, computer disks, computer tapes, literature, reports, catalogs, drawings, blueprints and other proprietary items.

2. Bank's security interest in the Equipment as set forth above shall secure each, any and all of Borrower's Obligations to Bank, as the term "Obligations" is defined in the Agreement; and, the payment of Borrower's indebtedness in the aggregate principal amount of Seven Million Dollars and No Cents (\$7,000,000.00) or so much thereof as has been advanced from time to time, and interest accrued thereon, and fees and costs thereon evidenced by the Agreement and that certain Term Loan Note of even date herewith.

3. Bank may, in its sole discretion, from time to time hereafter, make loans to Borrower. Loans made by Bank to Borrower pursuant to this Rider shall be included as part of the Obligations of Borrower to Bank and at Bank's option, may be evidenced by promissory note(s), in form satisfactory to Bank. Such loans shall bear interest at the rate and be payable in the manner specified in said promissory note(s) in the event Bank exercises the aforementioned option, and in the event Bank does not, such loans shall bear interest at the rate and be payable in the manner specified in the Agreement.

4. Borrower represents and warrants to Bank that:

- (a) it has good and indefeasible title to the Equipment;
- (b) the Equipment is and will be free and clear of all liens, security interests, encumbrances and claims, except as held by Bank, and except that Borrower may sell its route trucks ,
- (c) Bank shall have the right upon demand now and/or at all times hereafter, during Borrower's usual business hours to inspect and examine the Equipment and Borrower agrees to reimburse Bank for its reasonable costs and expenses in so doing.

5. Borrower shall keep and maintain the Equipment in good operating condition and repair, make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any items of Equipment to become a fixture to real estate or accession to other property, and the Equipment is now and shall at all times remain and be personal property.

6. Borrower, at its expense, shall keep and maintain: the Equipment insured against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against by other owners who use such properties and interest in properties in similar businesses for the full insurable value thereof; and business interruption insurance and public liability and property damage insurance relating to Borrowers ownership and use of its assets. All such policies of insurance shall be in such form, with such companies and in such amounts as may be satisfactory to Bank. Borrower shall deliver to Bank certified copies of such policies of insurance and evidence of the payment of all premiums thereof. All such policies of insurance (except those of public liability and property damage) shall contain an endorsement in a form satisfactory to Bank showing loss payable to Bank and all proceeds payable thereunder shall be payable to Bank and upon receipt by Bank shall be applied on the account of Borrower's Obligations. To secure the payment of Borrower's Obligations, Borrower grants Bank a security interest in and to all such policies of insurance (except those of public liability and property damage) and the proceeds thereof and directs all insurers under such policies of insurance to pay all proceeds thereof directly to Bank. Borrower hereby irrevocably appoints Bank (and any of Bank's officers, employees or agents designated by Bank) as Borrower's attorney-in-fact for the purpose of making, settling and adjusting claims under such policies of insurance and for making all determinations and decisions with respect to such policies of insurance. Each such insurer shall agree by endorsement upon the policy or policies of insurance issued by it to Borrower as required above, or by independent instruments furnished to Bank that it will give Bank at least ten (10) days written notice before any such policy or policies of insurance shall be altered or canceled, and that no act or default of Borrower, or any other person, shall affect the right of Bank to recover under such policy or policies of insurance required above or to pay any premium in whole or in part relating thereto. Bank, without waiving or releasing any obligations or defaults by Borrower hereunder, may at any time or times hereafter, but shall have no obligations to do so, obtain and maintain such policies of insurance and pay such premiums and take any other action with respect to such policies which Bank deems advisable. All sums so disbursed by Bank, including reasonable attorney's fees, court costs, expenses and other charges relating thereto, shall be a part of Borrower's Obligations and payable on demand.

7. Until default by Borrower under the Agreement or this Rider, Borrower may, subject to the provisions of the Agreement and this Rider and consistent therewith, remain in possession thereof and use the Equipment referred to herein in the ordinary course of business at the location or locations hereinabove designated.

8. All of the terms, conditions, warranties, covenants, agreements and representations of the Agreement are incorporated herein and reaffirmed.

9. Upon a default by Borrower under the Agreement or this Rider, Borrower upon request of Bank to do so, agrees to assemble and make the Equipment or any part thereof available to Bank at a place designated by Bank.

10. Borrower shall upon demand by Bank immediately deliver to Bank and properly endorse, any and all evidences of ownership, certificates of title or applications for titles to any of the aforesaid items of Equipment.

11. Bank shall not in any way or manner be liable or responsible for (a) the safekeeping of the Equipment; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof or (d) any act or default by any person whomsoever. All risk of Loss, damage or destruction of the Equipment shall be borne by Borrower.

Borrower(s):

HANSEN BEVERAGE COMPANY

By:

By:

Accepted this ___ day of _____ at Bank's place of business in _____

By: _____

ENVIRONMENTAL RIDER

San Jose

Name of office

333 West Santa Clara Street, San Jose, California 95113

Address

This ENVIRONMENTAL RIDER (this "Rider") dated this 15th day of May, 1997 is hereby made a part of and incorporated into that certain Revolving Credit Loan & Security Agreement (the "Agreement") dated May 15th, 1997 between Comerica Bank-California, a California corporation ("Lender"), and Hansen Beverage Company, a Delaware corporation ("Borrower").

1. Borrower hereby represents, warrants and covenants that none of the collateral or real property occupied and/or owned by Borrower has ever been used by Borrower or, to the best knowledge of Borrower after due inquiry, any other previous owner and/or operator in connection with the disposal of or to refine, generate, manufacture, produce, store, handle, treat, transfer, release, process or transport any hazardous waste, as defined in 42 U.S.C. 9601 (14) ("Hazardous Substance"), and Borrower will not at any time use the collateral or such real property for the disposal of, refining of, generating, manufacturing, producing, storing, handling, treating, transferring, releasing, processing, or transporting any such Hazardous Waste and/or Hazardous Substances.

2. None of the collateral or real property used and/or occupied by Borrower has been designated, listed or identified in any manner by the United States Environmental Protection Agency (the "EPA") or under and pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, set forth at 42 U.S.C. 9601 et seq. ("CERCLA") or the Resource Conservation and Recovery Act of 1986, as amended, set forth at 42 U.S.C. 9601 et seq. ("RCRA") or any other environmental protection statute as a Hazardous Waste or Hazardous Substance disposal or removal site, superfund or cleanup site or candidate for removal of closure pursuant to RCRA, CERCLA or any other environmental protection statute.

3. Borrower has not received a summons, citation, notice, directive, letter or other communication, written or oral, from the EPA or any other federal or state governmental agency or instrumentality, authorized pursuant to an environmental protection statute, concerning any intentional or unintentional action or omission by Borrower resulting in the releasing, spilling, leaking, pumping, pouring, emitting, emptying, dumping or otherwise disposing of Hazardous Waste or Hazardous Substance into the environment resulting in damage thereto or to the fish, shellfish, wildlife, biota or other natural resources.

4. Borrower shall not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part, or on the part of any third party, on property owned and/or occupied by Borrower, any disposal, releasing, spilling, leaking, pumping, omitting, pouring, emptying or dumping of a Hazardous Waste or Hazardous Substance into the environment where damage may result to the environment, fish, shellfish, wildlife, biota or other natural resources unless such disposal, release, spill, leak, pumping, emission, pouring, emptying or dumping is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal or state governmental authority.

5. Borrower shall furnish to Lender:

(a) Promptly and in any event within thirty (30) days after receipt thereof, a copy of any notice, summons, citation, directive, letter or other communications from the EPA or any other governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with the handling, transporting, transferring, disposal or in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Waste or Hazardous Substances into the environment resulting in damage to the environment, fish, shellfish, wildlife, biota and any other natural resource;

(b) Promptly and in any event within thirty (30) days after the receipt thereof, a copy of any notice of or other communication concerning the filing of a lien upon, against or in connection with Borrower, the collateral or Borrower's real property by the EPA or any other governmental agency or instrumentality authorized to file such a lien pursuant to an environmental protection statute in connection with a fund to pay for damages and/or cleanup and/or removal costs arising from the intentional or unintentional action or omission of Borrower resulting from the disposal or in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Waste or Hazardous Substances into the environment;

(c) Promptly and in any event within thirty (30) days after the receipt thereof, a copy of any notice, directive, letter or other communication from the EPA or any other governmental agency or instrumentality acting under the authority of an environmental protection statute indicating that all or any portion of the Borrower's property or assets have been listed and/or borrowers deemed by such agency to be the owner and operator of the facility that has failed to furnish to the EPA or other authorized governmental agency or instrumentality, all the information required by the RCRA, CERCLA or other applicable environmental protection statutes;

(d) Promptly and in no event more than thirty (30) days after the filing thereof with the EPA or other governmental agency or instrumentality authorized as such pursuant to an environmental protection statute, copies of any and all information reports filed with such agency or instrumentality in connection with Borrower's compliance with RCRA, CERCLA or other applicable environmental protection statutes.

6. Any one or more of the following events which occur with respect to Borrower shall constitute an event of default:

(a) The breach by Borrower of any covenant or condition, representation or warranty contained in this Rider;

(b) The failure by Borrower to comply with each, every and all of the requirements of RCRA, CERCLA or any other applicable environmental protection statutes on the real property occupied and/or on owned by borrower;

(c) The receipt by Borrower of a notice from the EPA or any other governmental agency or instrumentality acting under the authority of any environmental protection statute, indicating that a lien has been filed against any of the collateral, or any of Borrower's other property by the EPA or any other governmental agency or instrumentality in connection with a fund as a result of damage arising from an intentional or unintentional action or omission by Borrower resulting from the disposal, releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Substances or Hazardous Waste into the environment; and

(d) Any other event or condition exists which might, in the opinion of Lender, under applicable environmental protection statutes, have a material adverse effect on the financial or operational condition of Borrower or the value of all or any material part of the collateral or other property of Borrower.

In witness whereof, the Borrower has agreed as of the date first set forth above.

HANSEN BEVERAGE COMPANY
(BORROWER/PLEDGOR)

By: _____

Its: _____

By: _____

Its: _____

ENVIRONMENTAL RIDER

San Jose

Name of office

333 West Santa Clara Street, San Jose, California 95113

Address

This ENVIRONMENTAL RIDER (this "Rider") dated this 15th day of May, 1997 is hereby made a part of and incorporated into that certain Security Agreement (All Assets) (the "Agreement") dated May 15th, 1997 between Comerica Bank-California, a California corporation ("Lender"), and Hansen Natural Corporation, a Delaware corporation ("Pledgor").

1. Pledgor hereby represents, warrants and covenants that none of the collateral or real property occupied and/or owned by Pledgor has ever been used by Pledgor or, to the best knowledge of Pledgor after due inquiry, any other previous owner and/or operator in connection with the disposal of or to refine, generate, manufacture, produce, store, handle, treat, transfer, release, process or transport any hazardous waste, as defined in 42 U.S.C. 9601 (14) ("Hazardous Substance"), and Pledgor will not at any time use the collateral or such real property for the disposal of, refining of, generating, manufacturing, producing, storing, handling, treating, transferring, releasing, processing, or transporting any such Hazardous Waste and/or Hazardous Substances.

2. None of the collateral or real property used and/or occupied by Pledgor has been designated, listed or identified in any manner by the United States Environmental Protection Agency (the "EPA") or under and pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, set forth at 42 U.S.C. 9601 et seq. ("CERCLA") or the Resource Conservation and Recovery Act of 1986, as amended, set forth at 42 U.S.C. 9601 et seq. ("RCRA") or any other environmental protection statute as a Hazardous Waste or Hazardous Substance disposal or removal site, superfund or cleanup site or candidate for removal of closure pursuant to RCRA, CERCLA or any other environmental protection statute.

3. Pledgor has not received a summons, citation, notice, directive, letter or other communication, written or oral, from the EPA or any other federal or state governmental agency or instrumentality, authorized pursuant to an environmental protection statute, concerning any intentional or unintentional action or omission by Pledgor resulting in the releasing, spilling, leaking, pumping, pouring, emitting, emptying, dumping or otherwise disposing of Hazardous Waste or Hazardous Substance into the environment resulting in damage thereto or to the fish, shellfish, wildlife, biota or other natural resources.

4. Pledgor shall not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part, or on the part of any third party, on property owned and/or occupied by Pledgor, any disposal, releasing, spilling, leaking, pumping, omitting, pouring, emptying or dumping of a Hazardous Waste or Hazardous Substance into the environment where damage may result to the environment, fish, shellfish, wildlife, biota or other natural resources unless such disposal, release, spill, leak, pumping, emission, pouring, emptying or dumping is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal or state governmental authority.

5. Pledgor shall furnish to Lender:

(a) Promptly and in any event within thirty (30) days after receipt thereof, a copy of any notice, summons, citation, directive, letter or other communications from the EPA or any other governmental agency or instrumentality concerning any intentional or unintentional action or omission on Pledgor's part in connection with the handling, transporting, transferring, disposal or in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Waste or Hazardous Substances into the environment resulting in damage to the environment, fish, shellfish, wildlife, biota and any other natural resource;

(b) Promptly and in any event within thirty (30) days after the receipt thereof, a copy of any notice of or other communication concerning the filing of a lien upon, against or in connection with Pledgor, the collateral or Pledgor's real property by the EPA or any other governmental agency or instrumentality authorized to file such a lien pursuant to an environmental protection statute in connection with a fund to pay for damages and/or cleanup and/or removal costs arising from the intentional or unintentional action or omission of Pledgor resulting from the disposal or in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Waste or Hazardous Substances into the environment;

(c) Promptly and in any event within thirty (30) days after the receipt thereof, a copy of any notice, directive, letter or other communication from the EPA or any other governmental agency or instrumentality acting under the authority of an environmental protection statute indicating that all or any portion of the Pledgor's property or assets have been listed and/or borrowers deemed by such agency to be the owner and operator of the facility that has failed to furnish to the EPA or other authorized governmental agency or instrumentality, all the information required by the RCRA, CERCLA or other applicable environmental protection statutes;

(d) Promptly and in no event more than thirty (30) days after the filing thereof with the EPA or other governmental agency or instrumentality authorized as such pursuant to an environmental protection statute, copies of any and all information reports filed with such agency or instrumentality in connection with Pledgor's compliance with RCRA, CERCLA or other applicable environmental protection statutes.

6. Any one or more of the following events which occur with respect to Pledgor shall constitute an event of default:

(a) The breach by Pledgor of any covenant or condition, representation or warranty contained in this Rider;

(b) The failure by Pledgor to comply with each, every and all of the requirements of RCRA, CERCLA or any other applicable environmental protection statutes on the real property occupied and/or on owned by Pledgor;

(c) The receipt by Pledgor of a notice from the EPA or any other governmental agency or instrumentality acting under the authority of any environmental protection statute, indicating that a lien has been filed against any of the collateral, or any of Pledgor's other property by the EPA or any other governmental agency or instrumentality in connection with a fund as a result of damage arising from an intentional or unintentional action or omission by Pledgor resulting from the disposal, releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Substances or Hazardous Waste into the environment; and

(d) Any other event or condition exists which might, in the opinion of Lender, under applicable environmental protection statutes, have a material adverse effect on the financial or operational condition of Pledgor or the value of all or any material part of the collateral or other property of Pledgor.

In witness whereof, the Pledgor has agreed as of the date first set forth above.

HANSEN NATURAL CORPORATION
(BORROWER/PLEDGOR)

By: _____

Its: _____

By: _____

Its: _____

SEVERANCE AND CONSULTING AGREEMENT

AGREEMENT dated as of June 20, 1997 (this "Agreement") by and among Hansen Beverage Company, a Delaware corporation (the "Company"), Hansen Natural Corporation, a Delaware corporation and the parent of the Company ("HNC"), and Harold C. Taber, Jr., an individual residing at 1421 Brighton Street, La Habra, California 90631 ("Taber").

W I T N E S S E T H:

WHEREAS, Taber is the President and Chief Executive Officer of the Company and is employed pursuant to that certain Employment Agreement dated July 27, 1992 between the Company and Taber (the "Employment Agreement");

WHEREAS, HNC has granted to Taber an incentive stock option to purchase shares of HNC's common stock pursuant to HNC's Stock Option Plan and that certain Stock Option Agreement between HNC and Taber dated June 30, 1995 (the "Option Agreement");

WHEREAS, Taber desires to retire from his employment with the Company and the Company desires to assure itself of the continued availability of the consulting services of Taber, and to that end desires to enter into a severance and consulting agreement with him, upon the terms and conditions herein set forth; and

WHEREAS, Taber is desirous of entering into such a severance and consulting agreement; NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Termination of Employment.

(a) Taber's employment with the Company shall be terminated effective as of the close of business on June 30, 1997 and the Employment Agreement and the Option Agreement will each be deemed to be terminated as of such date. Simultaneously with the execution of this Agreement, HNC and Taber shall enter into a Stock Option Agreement in the form of Exhibit A hereto.

(b) Taber hereby fully and forever releases, acquits and discharges the Company and HNC and their respective employees, agents, attorneys, officers, directors, successors and assigns (collectively the "Company Releasees"), from all manner of action and causes of action, suits, choses in action, contracts, covenants, claims, bonds, bills, debts, dues, sums of money, rentals, commissions, compensation for purported personal services rendered, judgments, executions, damages, demands and rights whatsoever, in law or in equity, now existing or which may hereafter accrue in favor of Taber pursuant to the Employment Agreement and the Option Agreement other than the Company's obligations under the Employment Agreement which by the terms of the Employment Agreement the Company is required to fulfill between the date hereof and June 30, 1997, which obligations are specified on Schedule A hereto. Taber covenants that he will refrain from commencing any action or suit or participating or assisting in any manner in the commencement or prosecution of any action or suit, in law or equity, against the Company Releasees, or any of them jointly or severally, on account of any action or cause of action released hereby. In addition to any other liability which shall accrue upon the breach of this covenant, Taber shall indemnify the Company Releasees and hold them harmless from any such action or suit, and shall be liable to pay all reasonable attorney's fees and costs incurred by the Company Releasees in defense of such action or suit.

(c) each of the Company and HNC fully and forever releases, acquits and discharges Taber and his successors and assigns (collectively, the "Taber Releasees"), from all manner of action and causes of action, suits, choses in action, contracts, covenants, claims, bonds, bills, debts, dues, sums of money, rentals, commissions, compensation for purported personal services rendered, judgments, executions, damages, demands and rights whatsoever, in law or in equity, now existing or which may hereafter accrue in favor of the Company or HNC pursuant to the Employment Agreement other than Taber's obligations (i) under the Employment Agreement which by the terms of the Employment Agreement Taber is required to fulfill between the date hereof and June 30, 1997 and (ii) arising under Sections 9, 10, 11.1, 11.2, 11.4(c) and 11.4(d) of the Employment Agreement which Taber and the Company agree shall survive until the fifth anniversary of the date of this Agreement. Each of the Company and HNC covenants that it will refrain from commencing any action or suit or participating or assisting in any manner in the commencement of or prosecution of any action or suit, in law or in equity, against the Taber Releasees, or any of them jointly or severally, on account of any action or cause of action released hereby. In addition to any other liability which shall accrue upon the breach of this covenant, the Company and HNC shall indemnify to Taber Releasees and hold them harmless from any such action or suit, and shall be liable to pay all reasonable attorney's fees and costs incurred by the Taber Releasees in defense of such action or suit.

(d) It is understood that Taber may raise with the Company the issue of the possible payment of up to \$20,000 to him in connection with the voluntary reduction of his Base Pay (as such term is defined in the Employment Agreement) for the year ended December 31, 1996. The Company agrees to consider such a request, but is not obligated to pay any portion of that amount.

2. Consulting Term

The Company hereby agrees to retain Taber as a consultant to the management of the Company and Taber hereby accepts and agrees to serve in such capacity, for a period of two (2) years commencing on July 1, 1997 and ending on June 30, 1999 unless sooner terminated as herein provided (the "Consulting Term").

3. Consulting Duties

Taber shall make himself available for up to six hours per month (i) for consultation with the Company concerning the manufacture, distribution, sale and promotion of the products sold by the Company or its licensees or sublicensees, together with consultation and advice with respect to such other matters as the Company may request and (ii) to attend meetings with or to contact customers and suppliers of the Company as requested by the Company. In addition, during the Consulting Term, Taber agrees to continue to serve without additional compensation, if elected, as a director of HNC.

4. Consulting Compensation

(a) For and in consideration of the services to be rendered by Taber to the Company during the Consulting Term, the Company agrees to pay Taber a consulting fee of \$5,000 per month payable monthly or in such other installments as the parties may mutually agree upon.

(b) During the period commencing on July 1, 1997 and ending on December 31, 1997, the Company shall provide medical and dental benefits to Taber comparable to the medical and dental benefits provided to him under the Employment Agreement.

5. Repayment of Note.

Taber and the Company agree that Taber owes \$62,246 in principal and accrued interest as of June 30, 1997 under Taber's Amended and Restated Promissory Note dated May 31, 1994 in the original principal amount of \$82,170 (the "Note"), and that the Note shall be repaid by setting off (a) \$4,000 in accrued but unpaid Base Pay (as such term is defined in the Employment Agreement) through June 30, 1997 and (b) a portion of the consulting fees payable by the Company to Taber pursuant to paragraph 4(a) hereof commencing with the fees payable in respect of the month of January, 1998 and continuing with each successive month thereafter until the entire principal amount of the Note, together with all interest accrued thereon, has been paid in full. The portion of the consulting fees to be set off for payment of the Note shall be calculated to fully amortize the Note over eighteen months, in equal monthly amounts, beginning with January, 1998. In the event of the termination of this Agreement for any reason prior to the repayment in full of the Note, then Taber shall pay to the Company on the date of termination the entire principal balance due and payable under the Note, together with all interest accrued thereon through the date of such termination.

6. Independent Contractor

It is understood and agreed that Taber shall at all times during the Consulting Term be deemed to be an independent contractor, and nothing in this Agreement shall in any way be deemed or construed to constitute Taber as an agent or employee of the Company nor shall Taber have the right or authority to act as, incur, assume or create any obligation, responsibility or liability, express or implied, in the name of or on behalf of the Company or HNC or to bind the Company or HNC in any manner whatsoever or sign any documents on their behalf.

7. Withholding Tax

The Company shall not be responsible for withholding from any payments made to Taber hereunder any contributions levied by any state or federal statutes relating to social security or similar benefits.

8. Termination

Taber's consulting services hereunder may be terminated by the Company only under the following circumstances:

(a) Death. In the event Taber dies during the Consulting Term, the Consulting Term shall terminate upon his death.

(b) Cause. The Company may, at any time, terminate this Agreement for Cause upon thirty (30) days' written notice of termination to Taber. "Cause" shall mean the occurrence of one or more of the following during the Consulting Term: (i) the commission of embezzlement, theft or other dishonest or fraudulent acts, effecting the Company, (ii) conviction of a felony involving moral turpitude (from which, through lapse of time or otherwise, no successful appeal shall have been made) or (iii) material breach by Taber of his obligations under Sections 9, 10, 11.1, 11.2, 11.4(c) or 11.4(d) of the Employment Agreement or under paragraph 9 of this Agreement.

If the Agreement shall be terminated for Cause, the Company shall have no further obligations to Taber as of the date of termination.

9. Restrictive Covenants

(a) Taber agrees that during the period commencing on July 1, 1997 and ending on June 30, 1999 that he shall not directly or indirectly (i) own, manage, operate, control, participate in, or be connected in any manner with the ownership, management, operation or control of any business engaged in the manufacture, marketing, sale and/or distribution of "New Age Beverages" (as defined in Section 11.4(a) of the Employment Agreement), juices, juice drinks or Smoothies, functional beverages or apple juice (collectively, "Competing Beverages") which is competitive with the business of the Company (except that mere ownership as an investor of not more than 5% of the publicly-traded securities of a corporation shall not be deemed an association with such corporation) or become employed by any such business or (ii) provide or offer or attempt to provide such products or services to any business, person, or enterprise (or successor(s) to any of the same), wherever located, who or which is or was a customer of the Company on or within two years prior to the date of this Agreement, as conclusively evidenced by the accounts receivable, invoices and other records of the Company, where such products or services are similar to or competitive with any products or services offered or provided by the Company on or within two years prior to the date of this Agreement. In recognition of the geographic extent of the Company's operations, the restrictive covenant contained in this paragraph 9(a) shall apply throughout the mainland United States. For purposes of this paragraph 9(a) and paragraph 9(b) only, the term "Competing Beverages" shall be deemed to exclude cold filled teas and coffees in cans.

(b) Subject to the provisions of Section 11.4(c) of the Employment Agreement and to the last sentence of this paragraph 9(b), nothing in paragraph 9(a) above shall prohibit or restrict Taber's right or ability to be employed by any business which is not substantially engaged in the manufacture, marketing, sale and/or distribution (collectively, "sale") of Competing Beverages, and to fulfill the responsibilities of such employment. For purposes of this paragraph 9(b), a firm or entity shall be deemed to be "substantially engaged in the sale of Competing Beverages" only if more than 25% of its gross revenues from the sale of all types of beverages are attributable to the sale of Competing Beverages. It is understood that, during the period referred to in paragraph 9(a), Taber may not be employed by any business in a position in which he has direct management responsibility, on a regular, continuing and day-to-day basis for or within any division or department engaged substantially in the sale of Competing Beverages, regardless of whether or not the business, taken as a whole is deemed to be "substantially engaged in the sale of Competing Beverages" pursuant to this paragraph 9(b).

(c) Notwithstanding anything to the contrary contained in this Agreement, Taber agrees that during the period commencing on July 1, 1997 and ending on June 30, 1999 that under no circumstances shall he own, operate, control, participate in, or be connected in any manner with the ownership, management, operation or control of any business which supplies Competing Beverages to Trader Joe's or which procures Competing Beverages for Trader Joe's. Taber's employment by or acting as a consultant for any business which supplies Competing Beverages to Trader Joe's or which procures Competing Beverages for Trader Joe's shall not constitute a breach of this paragraph 9(c) if Taber has no involvement whatsoever, directly or indirectly, in any such activity.

(d) During the Consulting Term (i) Taber agrees not to make any public announcement concerning the Company or HNC without the prior written consent of the Company or HNC, as the case may be, (ii) Taber agrees not to make any derogatory statements or comments of any nature whatsoever to any third party concerning the Company or HNC or any of the officers, directors, employees, agents or other representatives of the Company or HNC and (iii) the Company and HNC agree not to make any derogatory statements or comments of any nature whatsoever to any third party concerning Taber.

10. Specific Performance

Taber acknowledges and agrees that the services to be rendered under this Agreement are of a special, unique and extraordinary character, and by reason thereof, Taber consents and agrees that in the event of the breach of any of the covenants given in paragraph 9 hereof (or any of its parts) by Taber, the Company, in addition, to any other rights and remedies available under this Agreement or otherwise, shall be entitled to an injunction to be issued by any tribunal of competent jurisdiction, which shall restrain and prohibit Taber from committing or continuing to commit any such breach of this Agreement.

11. Entire Agreement

This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and there is no other agreement between the parties with respect to the subject matter hereof, written or oral, other than as provided hereby. This Agreement may not be amended, modified, supplemented or discharged except by a writing duly executed by the parties hereto.

12. Notices

Notices required or permitted hereunder shall be in writing directed as follows: If to the Company or HNC:

Hansen Beverage Company
2401 East Katella Avenue, Suite 650
Anaheim, California 92806
Attention: Mr. Rodney C. Sacks

If to Taber:

Mr. Harold C. Taber, Jr.
1421 Brighton Street
La Habra, California 90631

The above-named persons may designate by notice to each other any new address to which notice may be made pursuant to this Agreement. All notices, requests, demands and other communications which are required or permitted hereunder shall be in writing and shall be deemed to have been duly given upon the delivery or making thereof, as the case may be, if delivered personally or by registered or certified mail, postage prepaid, return receipt requested, or by a reputable overnight messenger service.

13. Waiver

The waiver by any party hereto of the breach of any provision of this Agreement by the other party or parties hereto shall not operate or be construed as a waiver of any other provision hereof or of any subsequent breach by such other party.

14. Severability

If any provision of this Agreement shall be held to be invalid or unenforceable, the other provisions of this Agreement shall not be affected thereby and this Agreement shall be construed as if the provision held to be invalid or unenforceable had never been contained herein and such provision shall be reformed and redrawn only to the extent necessary so as to be valid and enforceable under applicable law.

15. Assignability

Taber shall not have the right to assign, commute, encumber or dispose of this Agreement or any rights, interests, benefits or payments hereunder, which contract rights, interests, benefits or payments are expressly declared non-assignable and non-transferable and any attempted assignment or other disposition of this Agreement or any rights, interests, benefits or payments hereunder contrary to the foregoing provisions, or the levy or attachment or similar process thereupon, shall be null and void and without effect. This Agreement shall be binding upon and shall inure to the benefit of the Company and HNC and any successor of the Company and HNC, and any such successor shall be deemed substituted for the Company or HNC, as the case may be, under the provisions of this Agreement. As used herein, the term "successor" shall mean any person, firm, corporation or other business entity which at any time, whether by merger, purchase, liquidation or otherwise, acquires all or substantially all of the assets or business at the Company or HNC, as the case may be.

16. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California. IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

HANSEN BEVERAGE COMPANY

By: _____

HANSEN NATURAL CORPORATION

By: _____

Harold C. Taber, Jr.

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Agreement") is made as of June 20, 1997 by and between Hansen Natural Corporation, a Delaware corporation (the "Company"), and Harold C. Taber, Jr. ("Holder").

Preliminary Recitals

A. Holder, the Company and Hansen Beverage Company ("HBC"), a wholly-owned subsidiary of the Company, are parties to that certain Severance and Consulting Agreement of even date herewith (the "Consulting Agreement"), providing for the termination of Holder's employment with HBC and HBC's engagement of Holder as a consultant.

B. Pursuant to the Hansen Natural Corporation Stock Option Plan, and that certain Stock Option Agreement dated as of June 30, 1995 between the Company and Holder (the "1995 Option Agreement"), the Company granted Holder a stock option (the "1995 Option") to purchase up to 180,000 shares of the Company's common stock, par value \$.005 per share (the "Common Stock"), at a purchase price of \$1.38 per share (the "1995 Exercise Price").

C. Pursuant to the Consulting Agreement the Company has agreed to grant to Holder a stock option to purchase shares of Common Stock at an exercise price equal to the 1995 Exercise Price, subject to the terms and conditions set forth below, in consideration of, among other matters, the termination of the 1995 Option Agreement and the cancellation of the 1995 Option.

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

1. Grant of Stock Option. The Company hereby grants to Holder, subject to the terms and conditions set forth herein, the stock option ("Option") to purchase up to 100,000 shares of Common Stock, at the purchase price of \$1.38 per share, such Option to be exercisable and exercised as hereinafter provided.

2. Exercise Period. The period during which the Option may be exercised shall commence on July 1, 1997 and shall expire on June 30, 1999 unless the Consulting Agreement is terminated by HBC for Cause (as defined in the Consulting Agreement) or unless the Consulting Agreement is terminated by reason of the death of Holder. If the Consulting Agreement is terminated by HBC for Cause, the Option shall expire as of the date the Consulting Agreement terminates. If the Consulting Agreement terminates due to Holder's death, then the Option may be exercised by the person or persons to which Holder's rights under this Agreement pass by will, or if no such person has such right, by his executors or administrators, within six months after the date of death, but no later than June 30, 1999.

3. Exercise of Option

(a) The Option may be exercised, to the extent exercisable by its terms, from time to time in whole or in part at any time prior to the expiration thereof. Any exercise shall be accompanied by a written notice to the Company specifying the number of shares as to which this Option is being exercised (the "Option Shares").

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

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

(a) By check or other immediately available funds.

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

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

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

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

7. Adjustments. In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the Option and the purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split the kind of shares, the purchase price per share and the number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustment so made shall be final and binding on Holder. No adjustments shall be made that would have the effect of modifying an Option under Internal Revenue Code " 422 and 424.

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

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

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

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

12. Notices. Any notice hereunder to the Company shall be addressed to it at its offices at 2401 East Katella Avenue, Suite 650, Anaheim, California 92806, Attention: Rodney C. Sacks with a copy to Benjamin M. Polk, Esq., Whitman Breed Abbott & Morgan, 200 Park Avenue, New York, New York 10166, and any notice hereunder to Holder shall be addressed to him at 1421 Brighton Street, La Habra, California 90631, subject to the right of either party to designate at any time hereafter in writing some other address.

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

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

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

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

HANSEN NATURAL CORPORATION

By: _____
Title:

Holder

VARIABLE RATE INSTALLMENT NOTE

 AMOUNT \$4,000,000.00 (U.S.) NOTE DATE October 14, 1997
 MATURITY DATE October 1, 2002 TAX IDENTIFICATION # 39-1679918

For Value Received, the undersigned promise(s) to pay to the order of Comerica Bank - California ("Bank"), at any office of the Bank in the State of California, Four Million Dollars and No Cents (\$4,000,000.00) (U.S.) in installments in the amounts set forth in the next succeeding sentence, plus interest on the unpaid balance from the date of this Note at a per annum rate equal to the Bank's base rate from time to time in effect from time to time, plus one- and-one-half percentage points (1.500%) per annum until maturity, whether by acceleration or otherwise, or until Default, as later defined, and after that at a default rate equal to the rate of interest otherwise prevailing under this Note plus 3% per annum. (but in no event in excess of the maximum rate permitted by law). Payments of principal on the Note shall be made in monthly payments as follows: (i) \$41,667.00 beginning on November 1, 1997 and on the first day of each calendar month thereafter until October 1, 1998; (ii) \$50,000.00 beginning on November 1, 1998 and on the first day of each calendar month thereafter until October 1, 1999; (iii) \$58,333.00 beginning on November 1, 1999 and on the first day of each calendar month thereafter until October 1, 2000; (iv) \$66,667.00 beginning on November 1, 2000 and on the first day of each calendar month thereafter until October 1, 2001; and (v) \$116,666 beginning on November 1, 2001 and on the first day of each calendar month thereafter until September 1, 2002 (each of the payment dates described in clauses (i) through (v), a "Payment Date"); and (vi) a final payment of all remaining principal on October 1, 2002, or such earlier Payment Date as all of the principal on the Note shall have been paid in full (the "Maturity Date"). Each such payment of principal on the Note shall be accompanied by a payment of accrued interest thereon, and all accrued but unpaid interest, fees and costs shall be due on the Maturity Date. Interest shall be calculated for the actual number of days the principal is outstanding on the basis of a 360 day year if this Note evidences a business or commercial loan or a 365 day year if a consumer loan. The Bank's "base rate" is that annual rate of interest so designated by the Bank and which is changed by the Bank from time to time. Interest rate changes will be effective for interest computation purposes as and when the Bank's base rate changes. If the frequency of principal and interest installments is not otherwise specified, installments of principal and interest due under this Note shall be payable monthly on the first day of each month.

In addition to the payments of principal set forth above, the undersigned agrees to make additional mandatory prepayments of principal as follows:

(a) on April 1, 1999, on each anniversary date thereafter in 2000 and 2001, and on the Maturity Date, equal on each such date to thirty-five percent (35%) of Adjusted Cash Flow during the immediately preceding fiscal year of the Borrower (each such payment, a "Profit Recapture Payment"). As used in this Note, the term Adjusted Cash Flow for such fiscal year means Cash Flow, as defined below, for such fiscal year less the aggregate sum of all scheduled payments during such fiscal year of principal of this Note (which, for the avoidance of doubt, shall not include the Profit Recapture Payment described in this paragraph (a) or the Mandatory Principal Repayments described in paragraphs (b), (c) and (d) below). As used in this Note, the term Cash Flow means Net Income (after deduction for income taxes and other taxes of such person determined by reference to income or profits of such person) for such period, plus, to the extent deducted in computation of such Net Income, the amount of depreciation and amortization expense and the amount of deferred tax liability during such period, all as determined in accordance with GAAP and Net Income means the net income (or loss) of a person for any period determined in accordance with GAAP but excluding in any event (i) any gains or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, and any taxes on the excluded gains and any tax deductions or credits on account on any excluded losses; and (ii) net earnings of any Person in which Borrower has an ownership interest, unless such net earnings shall have actually been received by Borrower in the form of cash distributions; and

(b) within five business days of repayment of the indebtedness of the undersigned to ERLY Industries, Inc., 100 percent of the amount by which the amount advanced under this Note exceeds the amount paid to ERLY Industries, Inc. in settlement of such indebtedness minus the reasonable legal fees and expenses of the undersigned incurred in any litigation to determine the amount of such repayment; and

(c) within five business days of any sale or other transfer of any capital assets of the undersigned, 100 percent of the proceeds thereof, net of reasonable transaction costs of such transaction provided, however, that the foregoing shall not be deemed a waiver by the Bank of the requirement that the undersigned obtain the prior written consent of the Bank in connection with any such sale; and

(d) within five business days of any sale of equity securities of the undersigned, 100 percent of the proceeds of such sale net of reasonable costs of such transaction.

The additional mandatory principal prepayments described in subparagraphs (a) through (d) of the preceding paragraph are referred to as Mandatory Principal Prepayments. Each Mandatory Principal Prepayment shall be applied to the payment of principal last coming due, and accordingly shall not reduce the amount of any scheduled prior payment of principal due on this Note.

If this Note or any installment under this Note shall become payable on a day other than a day on which the Bank is open for business, this payment may be extended to the next succeeding business day and interest shall be payable at the rate specified in this Note during this extension. Any payments of principal in excess of the installment payments required under this Note need not be accepted by the Bank (except as required under applicable law), but if accepted shall apply to the installments last falling due. A late installment charge equal to 5% of each late installment may be charged on any installment payment not received by the Bank within 10 calendar days after the installment due date, but acceptance of payment of this charge shall not waive any default under this Note.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced (collectively "Indebtedness") are secured by and the Bank is granted a security interest in all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of any of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every deed of trust, mortgage, security agreement, pledge, assignment and other agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned to or for the benefit of the Bank, specifically including that certain Revolving Credit Loan and Security Agreement (Accounts and Inventory) between the undersigned and the Bank of even date herewith (collectively "Collateral"). Notwithstanding the above, (i) to the extent that any portion of the Indebtedness is a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in any of the undersigned's principal dwelling or in any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them), unless expressly provided to the contrary in another place.

If the undersigned (or any of them) or any guarantor under a guaranty of all or part of the Indebtedness ("guarantor") (a) fail(s) to pay this Note or any of the Indebtedness when due, by maturity, acceleration or otherwise, or fails to pay any Indebtedness owing on a demand basis and such failure continues for three (3) business days after written notice thereof or written demand therefor; or (b) fail(s) to comply with any of the terms or provisions of any agreement between the undersigned (or any of them) or any guarantor and the Bank; or (c) become(s) insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy, or a reorganization, arrangement or creditor composition proceeding, (if a business entity) cease(s) doing business as a going concern, (if a natural person) die(s) or become(s) incompetent, (if a partnership) dissolve(s) or any general partner of it dies, becomes incompetent or becomes the subject of a bankruptcy proceeding or (if a corporation or a limited liability company) is the subject of a dissolution, merger or consolidation; or (d) if any warranty or representation made by any of the undersigned or any guarantor in connection with this Note or any of the Indebtedness shall be discovered to be untrue or incomplete; or (e) if there is any termination, notice of termination, or breach of any guaranty, pledge, collateral assignment or subordination agreement relating to all or any part of the Indebtedness; or (f) if there is any failure by any of the undersigned or any guarantor to pay when due any of its indebtedness (other than to the Bank) or in the observance or performance of any term, covenant or condition in any document evidencing, securing or relating to such indebtedness; or (g) If there is a material impairment of the prospect of repayment of all or any portion of this Note or the Indebtedness, or a material impairment of the value or priority of Bank's security interest in the Collateral, including, without limitation, any action by any subcontractor or warehouseman holding or asserting a lien in Collateral or asserting a setoff right or (h) if there is filed or issued a levy or writ of attachment or garnishment or other like judicial process upon the undersigned (or any of them) or any guarantor or any of the Collateral, including without limit, any accounts of the undersigned (or any of them) or any guarantor with the Bank, then the Bank, upon the occurrence of any of these events (each a "Default"), may at its option and without prior notice to the undersigned (or any of them), declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence thereof to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law. In addition, if this Note is secured by a deed of trust or mortgage covering real property, then the trustor or mortgagor shall not mortgage or pledge the mortgaged premises as security for any other indebtedness or obligations. This Note, together with all other indebtedness secured by said deed of trust or mortgage, shall become due and payable immediately, without notice, at the option of the Bank, (a) if said trustor or mortgagor shall mortgage or pledge the mortgaged premises for any other indebtedness or obligations or shall convey, assign or transfer the mortgaged premises by deed, installment sale contract or other instrument, or (b) if the title to the mortgaged premises shall become vested in any other person or party in any manner whatsoever, or (c) if there is any disposition (through one or more transactions) of legal or beneficial title to a controlling interest of said trustor or mortgagor. All payments under this Note shall be in immediately available United States funds, without setoff or counterclaim.

Notwithstanding anything contained in this paragraph to the contrary, Bank shall refrain from exercising its rights and remedies and Default shall thereafter not be deemed to have occurred by reason of the occurrence of any of the events set forth in clause (c) (as it relates to a person or entity other than a natural person) or clause (h) of this paragraph if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, if the event is the institution of insolvency, bankruptcy or similar proceedings against Borrower, Bank shall not be obligated to make advances to Borrower during such cure period.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigned's respective heirs, personal representatives, successors and assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-605 of the California Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations, or any interest, in any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that the Bank may provide information relating to this Note or to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

The undersigned agree(s) to reimburse the holder or owner of this Note for any and all costs and expenses (including without limit, court costs, legal expenses and reasonable attorney fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in collecting or attempting to collect this Note or incurred in any other matter or proceeding relating to this Note.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, indorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. THIS NOTE IS MADE IN THE STATE OF CALIFORNIA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

THE MAXIMUM INTEREST RATE SHALL NOT EXCEED THE HIGHEST APPLICABLE USURY CEILING.

THE UNDERSIGNED AND THE BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

For Corporations, Partnerships, Trusts, or Estates

HANSEN BEVERAGE COMPANY By: _____ Its: _____
 OBLIGOR NAME TYPED/PRINTED SIGNATURE OF TITLE

_____ By: _____ Its: _____
 STREET ADDRESS SIGNATURE OF TITLE

_____ By: _____ Its: _____
 CITY SIGNATURE OF TITLE

_____ By: _____ Its: _____
 STATE ZIP CODE SIGNATURE OF TITLE

For Bank Use Only

CCAR #

 Loan Officer Initials Loan Group Name Obligor(s) Name

 Loan Officer I.D. No. Loan Group No. Obligor # Note # Amount

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

0000865752
HANSEN NATURAL CORPORATION

	9-MOS
	DEC-31-1997
	JAN-01-1997
	SEP-30-1997
	514,569
	0
	3,725,930
	1,625,806
	3,432,690
	6,525,699
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	603,179
	17,891,847
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0	0
	45,614
	9,815,989
17,891,847	
	32,054,709
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	11,343,320
	183,839
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	415,746
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	0
	0
	0
	1,084,728
	.12
	.11