

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2016

Commission File Number 001-18761

MONSTER BEVERAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-1809393
(I.R.S. Employer
Identification No.)

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

(951) 739 – 6200
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

The Registrant had 203,042,661 shares of common stock, par value \$0.005 per share, outstanding as of April 20, 2016.

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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(In Thousands, Except Par Value) (Unaudited)**

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,528,109	\$ 2,175,417
Short-term investments	508,243	744,610
Accounts receivable, net	416,704	352,955
TCCC Transaction receivable	125,000	125,000
Inventories	165,929	156,121
Prepaid expenses and other current assets	36,458	26,967
Prepaid income taxes	12,429	1,532
Total current assets	<u>3,792,872</u>	<u>3,582,602</u>
INVESTMENTS	7,419	15,348
PROPERTY AND EQUIPMENT, net	99,257	97,354
DEFERRED INCOME TAXES	261,297	261,310
GOODWILL	1,279,715	1,279,715
OTHER INTANGIBLE ASSETS, net	428,578	427,986

OTHER ASSETS		14,346	10,874
	Total Assets	<u>\$ 5,883,484</u>	<u>\$ 5,675,189</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES:			
Accounts payable		\$ 183,216	\$ 144,763
Accrued liabilities		96,734	81,786
Accrued promotional allowances		131,091	115,530
Accrued distributor terminations		8,660	11,018
Deferred revenue		36,226	32,271
Accrued compensation		12,978	22,159
Income taxes payable		71,750	106,662
Total current liabilities		<u>540,655</u>	<u>514,189</u>
DEFERRED REVENUE		350,983	351,590
COMMITMENTS AND CONTINGENCIES (Note 11)			
STOCKHOLDERS' EQUITY:			
Common stock - \$0.005 par value; 240,000 shares authorized; 207,175 shares issued and 203,041 outstanding as of March 31, 2016; 207,019 shares issued and 202,900 outstanding as of December 31, 2015		1,036	1,035
Additional paid-in capital		4,005,996	3,991,857
Retained earnings		1,558,740	1,394,863
Accumulated other comprehensive loss		(15,443)	(21,878)
Common stock in treasury, at cost; 4,134 shares and 4,119 shares as of March 31, 2016 and December 31, 2015, respectively		<u>(558,483)</u>	<u>(556,467)</u>
Total stockholders' equity		<u>4,991,846</u>	<u>4,809,410</u>
Total Liabilities and Stockholders' Equity		<u>\$ 5,883,484</u>	<u>\$ 5,675,189</u>

See accompanying notes to condensed consolidated financial statements.

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**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands, Except Per Share Amounts) (Unaudited)**

	Three-Months Ended	
	March 31,	
	<u>2016</u>	<u>2015</u>
NET SALES	\$ 680,186	\$ 626,791
COST OF SALES	<u>257,088</u>	<u>257,834</u>
GROSS PROFIT	423,098	368,957
OPERATING EXPENSES	<u>168,385</u>	<u>361,328</u>
OPERATING INCOME	254,713	7,629
INTEREST and OTHER INCOME, net	<u>608</u>	<u>1,233</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	255,321	8,862
PROVISION FOR INCOME TAXES	<u>91,444</u>	<u>4,448</u>
NET INCOME	<u>\$ 163,877</u>	<u>\$ 4,414</u>
NET INCOME PER COMMON SHARE:		
Basic	<u>\$ 0.81</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.79</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK EQUIVALENTS:		
Basic	<u>202,946</u>	<u>169,871</u>
Diluted	<u>206,908</u>	<u>173,778</u>

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands) (Unaudited)

	Three-Months Ended	
	March 31,	
	2016	2015
Net income, as reported	\$ 163,877	\$ 4,414
Other comprehensive income:		
Change in foreign currency translation adjustment	6,435	(9,980)
Available-for-sale investments:		
Change in net unrealized gains	-	-
Reclassification adjustment for net gains included in net income	-	-
Net change in available-for-sale investments	-	-
Other comprehensive income (loss)	6,435	(9,980)
Comprehensive income (loss)	\$ 170,312	\$ (5,566)

See accompanying notes to condensed consolidated financial statements.

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands) (Unaudited)

	Three-Months Ended	
	March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 163,877	\$ 4,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,024	6,470
Loss (gain) on disposal of property and equipment	46	(46)
Stock-based compensation	10,062	6,354
Deferred income taxes	9	-
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(58,550)	(68,138)
Distributor receivables	(1,656)	66
Inventories	(7,639)	(26,547)
Prepaid expenses and other current assets	(12,841)	(5,895)
Prepaid income taxes	(10,535)	(13,498)
Accounts payable	36,086	42,742
Accrued liabilities	12,239	5,387
Accrued promotional allowances	13,136	(2,160)
Accrued distributor terminations	(2,853)	205,980
Accrued compensation	(9,147)	(7,866)
Income taxes payable	(34,791)	(4,298)
Deferred revenue	3,092	(40,041)
Net cash provided by operating activities	109,559	102,924
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of held-to-maturity investments	396,346	253,732
Sales of available-for-sale investments	-	101
Purchases of held-to-maturity investments	(152,050)	(118,283)
Purchases of property and equipment	(8,205)	(4,687)
Proceeds from sale of property and equipment	381	102
Increase in intangibles	(2,342)	(1,552)
Decrease in other assets	142	227

Net cash provided by investing activities	234,272	129,640
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(522)	(196)
Issuance of common stock	4,078	19,119
Purchases of common stock held in treasury	(2,016)	(251,382)
Net cash provided by (used in) financing activities	1,540	(232,459)
Effect of exchange rate changes on cash and cash equivalents	7,321	(7,641)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,692	(7,536)
CASH AND CASH EQUIVALENTS, beginning of period	2,175,417	370,323
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,528,109</u>	<u>\$ 362,787</u>
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Interest	\$ 16	\$ 5
Income taxes	\$ 137,186	\$ 22,703

See accompanying notes to condensed consolidated financial statements.

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**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands) (Unaudited) (Continued)**

SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEMS

The Company entered into capital leases for the acquisition of promotional vehicles of \$1.2 million and \$0.2 million for the three-months ended March 31, 2016 and 2015, respectively.

See accompanying notes to condensed consolidated financial statements.

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**MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)**

1. BASIS OF PRESENTATION

Reference is made to the Notes to Consolidated Financial Statements, in Monster Beverage Corporation and Subsidiaries (the "Company") Annual Report on Form 10-K for the year ended December 31, 2015 ("Form 10-K") for a summary of significant accounting policies utilized by the Company and its consolidated subsidiaries and other disclosures, which should be read in conjunction with this Quarterly Report on Form 10-Q ("Form 10-Q").

The Company's condensed consolidated financial statements included in this Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and Securities and Exchange Commission ("SEC") rules and regulations applicable to interim financial reporting. They do not include all the information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP. The information set forth in these interim condensed consolidated financial statements for the three-months ended March 31, 2016 and 2015 is unaudited and reflects all adjustments, which include only normal recurring adjustments and which in the opinion of management are necessary to make the interim condensed consolidated financial statements not misleading. Results of operations for periods covered by this report may not necessarily be indicative of results of operations for the full year.

The preparation of financial statements in conformity with GAAP necessarily requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

2. ACQUISITIONS AND DIVESTITURES

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

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

The following unaudited pro forma condensed combined financial information is presented as if the TCCC Transaction had closed on January 1, 2015:

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

	Three-Months Ended March 31, 2015				
	Monster Beverage Corporation as reported	KO Energy	Disposal of Monster Non-Energy	Other	Pro Forma Combined
Net sales	\$ 626,791	\$ 80,705	\$ (31,308)	\$ 4,923	\$ 681,111
Net income	4,414	59,439 ¹	(1,229)	(23,159)	39,465

¹The \$59.4 million of net income for KO Energy for the three-months ended March 31, 2015 is presented before tax. The associated estimated provision for income taxes is included in the "Other" category.

Pro-Forma Adjustments – Other include the following:

	Three-Months Ended March 31, 2015
Net sales:	
Amortization of deferred revenue	\$ 4,923
Net income:	
Amortization of deferred revenue	\$ 4,923
To record sales commissions	(9,043)
To record amortization of definite lived KO Energy intangibles	(1,726)
To eliminate TCCC Transaction expenses	3,597
Estimated provision for income taxes on pro forma adjustments	1,974
Estimated provision for income taxes on KO Energy income	(22,884)
Total	\$ (23,159)

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

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

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting”, which changes how companies account for certain aspects of share-based payments to employees. The new guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, and certain classifications on the statement of cash flows. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods with early application permitted. The Company early adopted the standards update effective January 1, 2016, electing (i) retrospective adjustment in the statement of cash flows and (ii) continued recognition stock compensation based on estimated forfeitures. For the three-months ended March 31, 2015, net cash provided by operating activities and net cash used in financing activities increased by \$184.7 million, respectively, as a result of such retrospective adjustment. The adoption of ASU 2016-09 did not have a material impact on the Company’s financial position, results of operations or liquidity.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. This update will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for annual and interim reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-02 on its financial position, results of operations and liquidity.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes”. The amendments under the new guidance require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Company adopted the standards update effective December 31, 2015, electing to apply it retrospectively to all periods presented.

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

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

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

evaluating the impact of ASU 2014-09 on its financial position, results of operations and liquidity.

4. INVESTMENTS

The following table summarizes the Company’s investments at:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Continuous Unrealized Loss Position less than 12 Months	Continuous Unrealized Loss Position greater than 12 Months
March 31, 2016						
Held-to-Maturity						
Short-term:						
Commercial paper	\$ 7,969	\$ -	\$ -	\$ 7,969	\$ -	\$ -
Municipal securities	464,865	22	148	464,739	148	-
U.S. government agency securities	17,316	1	7	17,310	7	-
U.S. Treasuries	18,093	1	-	18,094	-	-
Long-term:						
Municipal securities	7,419	-	8	7,411	8	-
Total	<u>\$ 515,662</u>	<u>\$ 24</u>	<u>\$ 163</u>	<u>\$ 515,523</u>	<u>\$ 163</u>	<u>\$ -</u>

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

During the three-months ended March 31, 2016 and 2015, realized gains or losses recognized on the sale of investments were not significant.

The Company's investments at March 31, 2016 and December 31, 2015 in commercial paper, U.S. Treasuries, municipal securities and U.S. government agency securities carried investment grade credit ratings.

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

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

	March 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year:				
Commercial paper	\$ 7,969	\$ 7,969	\$ 3,978	\$ 3,978
Municipal securities	464,865	464,739	709,207	709,078
U.S. government agency securities	17,316	17,310	23,369	23,311
U.S. Treasuries	18,093	18,094	8,056	8,043
Due 1 -10 years:				
Municipal securities	5,334	5,328	11,071	11,063
U.S. government agency securities	-	-	4,277	4,252
Due 11 - 20 years:				
Municipal securities	2,085	2,083	-	-
Total	<u>\$ 515,662</u>	<u>\$ 515,523</u>	<u>\$ 759,958</u>	<u>\$ 759,725</u>

5. FAIR VALUE OF CERTAIN FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

March 31, 2016	Level 1	Level 2	Level 3	Total
Cash	\$ 280,113	\$ -	\$ -	\$ 280,113
Money market funds	1,195,818	-	-	1,195,818
Certificates of deposit	-	102,315	-	102,315
Commercial paper	-	244,125	-	244,125
U.S. Treasuries	-	561,104	-	561,104
Municipal securities	-	478,005	-	478,005
U.S. government agency securities	-	182,291	-	182,291
Foreign currency derivatives	-	(417)	-	(417)
Total	\$ 1,475,931	\$ 1,567,423	\$ -	\$ 3,043,354

Amounts included in:

Cash and cash equivalents	\$ 1,475,931	\$ 1,052,178	\$ -	\$ 2,528,109
Short-term investments	-	508,243	-	508,243
Accounts receivable, net	-	219	-	219
Investments	-	7,419	-	7,419
Accrued liabilities	-	(636)	-	(636)
Total	\$ 1,475,931	\$ 1,567,423	\$ -	\$ 3,043,354

December 31, 2015	Level 1	Level 2	Level 3	Total
Cash	\$ 255,723	\$ -	\$ -	\$ 255,723
Money market funds	664,005	-	-	664,005
Certificates of deposit	-	85,007	-	85,007
Commercial paper	-	430,605	-	430,605
U.S. Treasuries	-	260,035	-	260,035
Municipal securities	-	731,744	-	731,744
U.S. government agency securities	-	508,256	-	508,256
Foreign currency derivatives	-	(217)	-	(217)
Total	\$ 919,728	\$ 2,015,430	\$ -	\$ 2,935,158

Amounts included in:

Cash and cash equivalents	\$ 919,728	\$ 1,255,689	\$ -	\$ 2,175,417
Short-term investments	-	744,610	-	744,610
Accounts receivable, net	-	371	-	371
Investments	-	15,348	-	15,348
Accrued liabilities	-	(588)	-	(588)
Total	\$ 919,728	\$ 2,015,430	\$ -	\$ 2,935,158

All of the Company's short-term investments are classified within Level 1 or Level 2 of the fair value hierarchy. The Company's valuation of its Level 1 investments, which include money market funds, is based on quoted market prices in active markets for identical securities. The Company's valuation of its Level 2 investments, which include commercial paper, U.S. Treasuries, certificates of deposit, municipal securities and U.S. government agency securities, is based on other observable inputs, specifically a market approach which utilizes valuation models, pricing systems, mathematical tools and other relevant information for the same or similar securities. The Company's valuation of its Level 2 foreign exchange contracts is based on quoted market prices of the same or similar instruments, adjusted for counterparty risk. There were no transfers between Level 1 and Level 2 measurements during the three-months ended March 31, 2016 or the year ended December 31, 2015, and there were no changes in the Company's valuation techniques.

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The Company is exposed to foreign currency exchange rate risks related primarily to its foreign business operations. During the three-months ended March 31, 2016 and the year ended December 31, 2015, the Company entered into forward currency exchange contracts with financial institutions to create an economic hedge to specifically manage a portion of the foreign exchange risk exposure associated with certain consolidated subsidiaries' non-functional currency denominated assets and liabilities. All foreign currency exchange contracts of the Company that were outstanding as of March 31, 2016 have terms of one month or less. The Company does not enter into forward currency exchange contracts for speculation or trading purposes.

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

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

March 31, 2016			
Derivatives not designated as hedging instruments under FASB ASC 815-20	Notional Amount	Fair Value	Balance Sheet Location
Assets:			
Foreign currency exchange contracts:			
Receive EUR/pay USD	\$ 21,945	\$ 157	Accounts receivable, net
Receive SGD/pay USD	9,606	38	Accounts receivable, net
Receive RUB/pay USD	1,374	24	Accounts receivable, net
Liabilities:			
Foreign currency exchange contracts:			
Receive USD/pay GBP	\$ 17,380	\$ (12)	Accrued liabilities
Receive USD/pay AUD	17,588	(104)	Accrued liabilities
Receive USD/pay CAD	3,823	(28)	Accrued liabilities
Receive USD/pay MXN	6,798	(24)	Accrued liabilities
Receive USD/pay ZAR	11,655	(335)	Accrued liabilities
Receive USD/pay HUF	1,085	(6)	Accrued liabilities
Receive USD/pay SEK	1,612	(15)	Accrued liabilities
Receive USD/pay BRL	2,722	(38)	Accrued liabilities
Receive USD/pay CLP	2,650	(46)	Accrued liabilities
Receive USD/pay COP	1,379	(28)	Accrued liabilities

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

The net gains (losses) on derivative instruments in the condensed consolidated statements of income were as follows:

Derivatives not designated as hedging instruments under FASB ASC 815-20	Location of gain recognized in income on derivatives	Amount of gain (loss) recognized in income on derivatives	
		Three-months ended	
		March 31, 2016	March 31, 2015
Foreign currency exchange contracts	Interest and other income, net	\$ 317	\$ (1,856)

7. INVENTORIES

Inventories consist of the following at:

	March 31, 2016	December 31, 2015
Raw materials	\$ 55,053	\$ 52,043
Finished goods	110,876	104,078
	<u>\$ 165,929</u>	<u>\$ 156,121</u>

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8. PROPERTY AND EQUIPMENT, Net

Property and equipment consist of the following at:

	March 31, 2016	December 31, 2015
Land	\$ 6,792	\$ 6,792
Leasehold improvements	2,862	2,804
Furniture and fixtures	3,599	3,551
Office and computer equipment	10,639	11,080
Computer software	2,672	2,530
Equipment	97,124	93,465
Buildings	40,043	39,848
Vehicles	30,256	29,804
	<u>193,987</u>	<u>189,874</u>
Less: accumulated depreciation and amortization	<u>(94,730)</u>	<u>(92,520)</u>
	<u>\$ 99,257</u>	<u>\$ 97,354</u>

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a roll-forward of goodwill for the three-months ended March 31, 2016 by reportable segment:

	Finished Products	Concentrate	Total
Balance at December 31, 2015	\$ 641,716	\$ 637,999	\$ 1,279,715
Acquisitions	-	-	-
Balance at March 31, 2016	<u>\$ 641,716</u>	<u>\$ 637,999</u>	<u>\$ 1,279,715</u>

Intangible assets consist of the following at:

	March 31, 2016	December 31, 2015
Amortizing intangibles	\$ 35,286	\$ 35,263
Accumulated amortization	(5,651)	(3,899)
	<u>29,635</u>	<u>31,364</u>
Non-amortizing intangibles	398,943	396,622
	<u>\$ 428,578</u>	<u>\$ 427,986</u>

Amortizing intangibles primarily consist of customer relationships. All amortizing intangibles have been assigned an estimated finite useful life and such intangibles are amortized on a straight-line basis over the number of years that approximate their respective useful lives, generally 5 years. Total amortization expense recorded was \$1.8 million and \$0.001 million for the three-months ended March 31, 2016 and 2015, respectively.

10. DISTRIBUTION AGREEMENTS

In accordance with ASC No. 420 “Exit or Disposal Cost Obligations”, the Company expenses distributor termination costs in the period in which the written notification of termination occurs. The

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Company incurred termination costs of \$3.4 million and \$206.0 million for the three-months ended March 31, 2016 and 2015, respectively. Such termination costs have been expensed in full and are included in operating expenses for the three-months ended March 31, 2016 and 2015.

In the normal course of business, amounts received pursuant to new and/or amended distribution agreements entered into with certain distributors, relating to the costs associated with terminating agreements with the Company’s prior distributors, are accounted for as deferred revenue and are recognized as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years. Revenue recognized was \$8.2 million and \$43.3 million for the three-months ended March 31, 2016 and 2015, respectively. Included in the \$43.3 million of revenue recognized for the three-months ended March 31, 2015 was \$39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company’s prior distributors who were sent notices of termination during the first quarter of 2015.

11. COMMITMENTS AND CONTINGENCIES

The Company had purchase commitments aggregating approximately \$33.6 million at March 31, 2016, which represented commitments made by the Company and its subsidiaries to various suppliers of raw materials for the production of its products. These obligations vary in terms, but are generally satisfied within one year.

The Company had contractual obligations aggregating approximately \$106.3 million at March 31, 2016, which related primarily to sponsorships and other marketing activities.

The Company had operating lease commitments aggregating approximately \$11.1 million at March 31, 2016, which related primarily to warehouse and office space.

Legal Proceedings

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

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

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

San Francisco City Attorney Litigation – On October 31, 2012, the Company received a written

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

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

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

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

On September 5, 2014, the City Attorney filed a second amended complaint, adding Monster Energy

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

The Court has set the case for a bench trial which is scheduled to take place April 10-21, 2017.

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

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

In addition to the above matters, the Company has been named as a defendant in various false advertising putative class actions and in a private attorney general action. In these actions, plaintiffs allege that defendants misleadingly labeled and advertised Monster Energy® brand products that allegedly were ineffective for the advertised benefits (including, but not limited to, an allegation that the products do not hydrate as advertised because they contain caffeine). The plaintiffs further allege that the Monster Energy® brand products at issue are unsafe because they contain one or more ingredients that allegedly could result in illness, injury or death. In connection with these product safety allegations,

the plaintiffs claim that the product labels did not provide adequate warnings and/or that the Company did not include sufficiently specific statements with respect to contra-indications and/or adverse reactions associated with the consumption of its energy drink products (including, but not limited to, claims that certain ingredients, when consumed individually or in combination with other ingredients, could result in high blood pressure, palpitations, liver damage or other negative health effects and/or that the products themselves are unsafe). Based on these allegations, the plaintiffs assert claims for violation of state consumer protection statutes, including unfair competition and false advertising statutes, and for breach of warranty and unjust enrichment. In their prayers for relief, the plaintiffs seek, inter alia, compensatory and punitive damages, restitution, attorneys' fees, and, in some cases, injunctive relief. The Company regards these cases and allegations as having no merit. Furthermore, the Company is subject to litigation from time to time in the normal course of business, including intellectual property litigation and claims from terminated distributors.

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

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued, if any, or in the amount of any related insurance reimbursements recorded. As of March 31, 2016, the Company's condensed consolidated balance sheet includes accrued loss contingencies of approximately \$0.3 million.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss by component, after tax, for the three-months ended March 31, 2016 are as follows:

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	Currency Translation Losses
Balance at December 31, 2015	\$ 21,878
Other comprehensive (gain) before reclassifications	-
Amounts reclassified from accumulated other comprehensive loss	-
Net current-period other comprehensive (gain)	(6,435)
Balance at March 31, 2016	<u>\$ 15,443</u>

13. TREASURY STOCK

On February 24, 2016, the Company's Board of Directors authorized a repurchase program of up to \$1.75 billion of the Company's outstanding common stock (the "February 2016 Repurchase Plan"). During the three-months ended March 31, 2016, no shares were purchased under the February 2016 Repurchase Plan.

On September 11, 2015, the Company's Board of Directors authorized a share repurchase program for the repurchase of up to \$500.0 million of the Company's outstanding common stock (the "September 2015 Repurchase Plan"). As of March 31, 2016, \$250.0 million remained available under the September 2015 Repurchase Plan. During the three-months ended March 31, 2016, no shares were purchased under the September 2015 Repurchase Plan. During the year ended December 31, 2015, the Company purchased 1.9 million shares of common stock at an average purchase price of \$134.26 per share, for a total amount of \$250.0 million (excluding broker commissions), under the September 2015 Repurchase Plan.

During the three-months ended March 31, 2016, 15,277 shares were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of \$2.0 million. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs, including the September 2015 Repurchase Plan or the February 2016 Repurchase Plan. Such shares are included in common stock in treasury in the accompanying condensed consolidated balance sheet at March 31, 2016.

On April 28, 2016, the Board of Directors authorized the Company to commence a "modified Dutch auction" tender offer to repurchase up to \$2.0 billion of its outstanding shares of common stock. The repurchase of these shares is authorized under the Company's existing share repurchase authority and will be funded with cash on hand. The Company anticipates commencing the tender offer in May 2016. Details of the tender offer, including the offer price, conditions, potential participation by management and other terms, will be set forth in the offering materials to be distributed to shareholders upon commencement of the tender offer.

14. STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans under which shares were available for grant at March 31, 2016: the Monster Beverage Corporation 2011 Omnibus Incentive Plan (the “2011 Omnibus Incentive Plan”) and the 2009 Monster Beverage Corporation Stock Incentive Plan for Non-Employee Directors (the “2009 Directors Plan”).

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The Company recorded \$10.1 million and \$6.4 million of compensation expense relating to outstanding options, restricted stock awards, stock appreciation rights and restricted stock units during the three-months ended March 31, 2016 and 2015, respectively.

The excess tax benefit for tax deductions from non-qualified stock option exercises, disqualifying dispositions of incentive stock options, vesting of restricted stock units and restricted stock awards for the three-months ended March 31, 2016 and 2015 was \$1.6 million and \$184.7 million, respectively.

Stock Options

Under the Company’s stock-based compensation plans, all stock options granted as of March 31, 2016 were granted at prices based on the fair value of the Company’s common stock on the date of grant. The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes-Merton option pricing formula with the assumptions included in the table below. The Company records compensation expense for non-employee stock options based on the estimated fair value of the options as of the earlier of (1) the date at which a commitment for performance by the non-employee to earn the stock option is reached or (2) the date at which the non-employee’s performance is complete, using the Black-Scholes-Merton option pricing formula with the assumptions included in the table below. The Company uses historical data to determine the exercise behavior, volatility and forfeiture rate of the options.

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

	Three-Months Ended March 31,	
	2016	2015
Dividend yield	0.0%	0.0%
Expected volatility	36.2%	37.1%
Risk-free interest rate	1.5%	1.6%
Expected term	5.7 years	5.8 years

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

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

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

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

Options	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value
Outstanding at January 1, 2016	6,590	\$ 50.85	5.6	\$ 646,497
Granted 01/01/16 - 03/31/16	961	\$ 132.06		

Exercised	(110)	\$	37.18		
Cancelled or forfeited	(8)	\$	93.05		
Outstanding at March 31, 2016	7,433	\$	61.50	5.7	\$ 536,196
Vested and expected to vest in the future at March 31, 2016	6,969	\$	57.97	5.5	\$ 527,253
Exercisable at March 31, 2016	4,257	\$	30.38	4.0	\$ 438,805

The weighted-average grant-date fair value of options granted during the three-months ended March 31, 2016 and 2015 was \$47.65 per share and \$50.16 per share, respectively. The total intrinsic value of options exercised during the three-months ended March 31, 2016 and 2015 was \$10.5 million and \$515.7 million, respectively.

Cash received from option exercises under all plans for the three-months ended March 31, 2016 and 2015 was approximately \$4.0 million and \$19.0 million, respectively.

At March 31, 2016, there was \$107.1 million of total unrecognized compensation expense related to non-vested options granted to employees under the Company's share-based payment plans. That cost is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Awards and Restricted Stock Units

Stock-based compensation cost for restricted stock awards and restricted stock units is measured based on the closing fair market value of the Company's common stock at the date of grant. In the event that the Company has the option and intent to settle a restricted stock unit in cash, the award is classified as a liability and revalued at each balance sheet date.

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

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	Number of Shares (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2016	178	\$ 99.58
Granted 01/01/16- 03/31/16	82	\$ 131.96
Vested	(46)	\$ 109.44
Forfeited/cancelled	-	\$ -
Non-vested at March 31, 2016	<u>214</u>	<u>\$ 109.84</u>

The weighted-average grant-date fair value of restricted stock units and restricted stock awards granted during the three-months ended March 31, 2016 and 2015 was \$131.96 per share and \$135.48 per share, respectively. As of March 31, 2016, 0.2 million of restricted stock units and restricted stock awards are expected to vest over their respective terms.

At March 31, 2016, total unrecognized compensation expense relating to non-vested restricted stock awards and non-vested restricted stock units was \$20.0 million, which is expected to be recognized over a weighted-average period of 2.0 years.

15. INCOME TAXES

The following is a roll-forward of the Company's total gross unrecognized tax benefits, not including interest and penalties, for the three-months ended March 31, 2016:

	Gross Unrecognized Tax Benefits	
Balance at December 31, 2015	\$	471
Additions for tax positions related to the current year		-
Additions for tax positions related to the prior year		-
Decreases related to settlement with taxing authority		-
Balance at March 31, 2016	<u>\$</u>	<u>471</u>

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Company's condensed consolidated financial statements. As of March 31, 2016, the Company had accrued approximately \$0.2 million in

interest and penalties related to unrecognized tax benefits. If the Company were to prevail on all uncertain tax positions, the resultant impact on the Company's effective tax rate would not be significant. It is expected that the change in the amount of unrecognized tax benefits within the next 12 months will not be significant.

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

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

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The Company is in various stages of examination with certain states and certain foreign jurisdictions. The 2012 through 2015 U.S. federal income tax returns are subject to examination by the IRS. State income tax returns are subject to examination for the 2011 through 2015 tax years.

16. EARNINGS PER SHARE

A reconciliation of the weighted-average shares used in the basic and diluted earnings per common share computations is presented below:

	Three-Months Ended March 31,	
	2016	2015
Weighted-average shares outstanding:		
Basic	202,946	169,871
Dilutive securities	3,962	3,907
Diluted	<u>206,908</u>	<u>173,778</u>

For the three-months ended March 31, 2016 and 2015, options and awards outstanding totaling 1.4 million shares and 0.4 million shares, respectively, were excluded from the calculations as their effect would have been antidilutive.

17. SEGMENT INFORMATION

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

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

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

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

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

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a segment basis.

The net revenues derived from the Company's reportable segments and other financial information related thereto for the three-months ended March 31, 2016 and 2015 are as follows:

	Three-Months Ended	
	March 31,	
	2016	2015
Net sales:		
Finished Products ⁽¹⁾	\$ 624,292	\$ 595,482
Concentrate	55,894	-
Other	-	31,309
Corporate and unallocated	-	-
	<u>\$ 680,186</u>	<u>\$ 626,791</u>

	Three-Months Ended	
	March 31,	
	2016	2015
Operating Income:		
Finished Products ^{(1) (2)}	\$ 267,996	\$ 55,621
Concentrate	38,122	-
Other	-	1,999
Corporate and unallocated	(51,405)	(49,991)
	<u>\$ 254,713</u>	<u>\$ 7,629</u>

	Three-Months Ended	
	March 31,	
	2016	2015
Income before tax:		
Finished Products ^{(1) (2)}	\$ 268,047	\$ 55,695
Concentrate	38,107	-
Other	-	1,999
Corporate and unallocated	(50,833)	(48,832)
	<u>\$ 255,321</u>	<u>\$ 8,862</u>

(1) Includes \$8.2 million and \$43.3 million for the three-months ended March 31, 2016 and 2015, respectively, related to the recognition of deferred revenue.

(2) Includes \$3.4 million and \$206.0 million for the three-months ended March 31, 2016 and 2015, respectively, related to distributor termination costs.

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

	Three-Months Ended	
	March 31,	
	2016	2015
Depreciation and amortization		
Finished Products	\$ 5,779	\$ 5,055
Concentrate	1,770	-
Other	-	140
Corporate and unallocated	1,475	1,275
	<u>\$ 9,024</u>	<u>\$ 6,470</u>

	March 31,	December 31,
	2016	2015
Goodwill and other intangible assets:		
Finished Products	\$ 701,651	\$ 699,346
Concentrate	1,006,642	1,008,355
Other	-	-
Corporate and unallocated	-	-
	<u>\$ 1,708,293</u>	<u>\$ 1,707,701</u>

Corporate and unallocated expenses for the three-months ended March 31, 2016 include \$28.4 million of payroll costs, of which \$10.1 million was attributable to stock-based compensation expense (see Note 14, "Stock-Based Compensation"), as well as \$16.0 million attributable to professional service expenses, including accounting and legal costs, and \$7.0 million of other operating expenses. Corporate and unallocated expenses for the three-months ended March 31, 2015 include \$28.5 million of payroll costs, of which \$6.4 million was attributable

to stock-based compensation expense (see Note 14, “Stock-Based Compensation”), as well as \$14.5 million attributable to professional service expenses, including accounting and legal costs, and \$7.0 million attributable to other operating expenses.

Coca-Cola Refreshments USA Inc. (“CCR”) accounted for approximately 46% and 35% of the Company’s net sales for the three-months ended March 31, 2016 and 2015, respectively.

Net sales to customers outside the United States amounted to \$149.1 million and \$113.0 million for the three-months ended March 31, 2016 and 2015, respectively.

18. RELATED PARTY TRANSACTIONS

As a result of the TCCC Transaction, TCCC controls more than 10% of the voting interests of the Company. TCCC, through certain wholly-owned subsidiaries (the “TCCC Subsidiaries”) and through certain affiliated companies (the “TCCC Affiliates”) purchases and distributes certain of the Company’s products both domestically and in certain international territories. The Company also pays TCCC a sales commission based on certain sales within the TCCC bottling network. TCCC commissions, based on sales to the TCCC Affiliates for the three-months ended March 31, 2016, were \$1.9 million. TCCC commissions, based on sales to the TCCC Subsidiaries, are accounted for as a reduction to revenue and are reported in net sales to the TCCC Subsidiaries. Net sales to the TCCC Subsidiaries for the three-months ended March 31, 2016 and 2015 were \$310.1 million and \$218.9 million, respectively. The Company also purchases concentrates from TCCC which are then sold to both the TCCC Affiliates and the TCCC Subsidiaries. Concentrate purchases from TCCC were \$6.7 million for the three-months ended March 31, 2016. A certain TCCC Subsidiary also contract manufactures certain of the Company’s Monster Energy® brand energy drinks. Contract manufacturing

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MONSTER BEVERAGE CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Tabular Dollars in Thousands, Except Per Share Amounts) (Unaudited)

expenses were \$1.6 million and \$1.8 million for the three-months ended March 31, 2016 and 2015, respectively. Accounts receivable, accounts payable and accrued promotional allowances related to the TCCC Subsidiaries are as follows at:

	March 31, 2016	December 31, 2015
Accounts receivable, net	\$ 217,708	\$ 172,201
Accounts payable	\$ 59,347	\$ 58,579
Accrued promotional allowances	\$ 41,752	\$ 27,544

Two directors and officers of the Company and their families are principal owners of a company that provides promotional materials to the Company. Expenses incurred with such company in connection with promotional materials purchased during the three-months ended March 31, 2016 and 2015 were \$0.1 million and \$0.9 million, respectively.

19. SUBSEQUENT EVENTS

On April 1, 2016, the Company completed its acquisition of flavor supplier and long-time business partner American Fruits & Flavors (“AFF”), in a transaction that brings the Company’s primary flavor supplier in-house, secures the intellectual property of the Company’s most important flavors in perpetuity and further enhances its flavor development and global flavor footprint capabilities. Pursuant to the terms of the transaction, the Company purchased AFF for \$690 million in cash, subject to adjustments. As of April 29, 2016, the fair value analysis has yet to progress to a stage where there is sufficient information for a preliminary or definitive measurement of the transactions respective fair values.

On April 28, 2016, the Board of Directors authorized the Company to commence a “modified Dutch auction” tender offer to repurchase up to \$2.0 billion of its outstanding shares of common stock under its existing share repurchase authority. The Company anticipates commencing the tender offer in May 2016. Details of the tender offer, including the offer price, conditions, potential participation by management and other terms, will be set forth in the offering materials to be distributed to shareholders upon commencement of the tender offer.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Business

Monster Beverage Corporation was incorporated in Delaware on April 25, 1990. Our principal place of business is located at 1 Monster Way, Corona, California 92879 and our telephone number is (951) 739-6200. When this report uses the words “the Company” “we”, “us”, and

“our”, these words refer to Monster Beverage Corporation and its subsidiaries, unless the context otherwise requires. We are a holding company and conduct no operating business except through our consolidated subsidiaries.

Acquisitions and Divestitures

On June 12, 2015, we completed the transactions contemplated by the definitive agreements entered into with The Coca-Cola Company (“TCCC”) on August 14, 2014, which provided for a long-term strategic relationship in the global energy drink category (the “TCCC Transaction”).

In accordance with ASC No. 420 “Exit or Disposal Cost Obligations”, we expense distributor termination costs in the period in which the written notification of termination occurs. As a result, we incurred termination amounts of \$3.4 million and \$206.0 million for the three-months ended March 31, 2016 and 2015, respectively, related to the distribution rights transferred to TCCC’s distribution network. Such termination amounts have been expensed in full and are included in operating expenses for the three-months ended March 31, 2016 and 2015. In addition, the Company recognized as income \$39.8 million in the first quarter of 2015, related to the accelerated amortization of the deferred revenue balances associated with certain of the Company’s prior distributors who were sent notices of termination during the first quarter of 2015.

The Company incurred \$3.6 million in TCCC Transaction related expenses for the three-months ended March 31, 2015.

The following table summarizes the selected items discussed above for the three-months ended March 31, 2016 and 2015:

<u>Income Statement Items (in thousands):</u>	Three-Months Ended March 31, 2016	Three-Months Ended March 31, 2015
Included in Net Sales:		
Accelerated recognition of deferred revenue	\$ -	\$ 39,761
Included in Operating Expenses:		
Distributor termination costs	\$ 3,440	\$ 205,980
TCCC Transaction expenses	\$ -	\$ 3,597
Net Impact on Operating Income	<u>\$ (3,440)</u>	<u>\$ (169,816)</u>

Overview

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

- Monster Energy®
- Nalu®
- Monster Rehab®
- NOS®

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

Our Monster Energy® brand energy drinks, which represented 90.2% and 88.1% of our net sales for the three-months ended March 31, 2016 and 2015, respectively, primarily include the following:

- Monster Energy®
- Java Monster® Kona Blend
- Lo-Carb Monster Energy®
- Java Monster® Loca Moca®
- Monster Assault®
- Java Monster® Mean Bean®
- Juice Monster® Khaos®
- Java Monster® Vanilla Light
- Juice Monster® Ripper®
- Java Monster® Irish Blend®
- Juice Monster® Pipeline Punch™
- Java Monster® Cappuccino
- Monster Energy® Absolutely Zero
- Mega Monster Energy®
- Monster Energy® Import
- Monster Energy Extra Strength Nitrous
- Punch Monster® Baller’s Blend® (formerly Dub Edition)
- Technology® Super Dry™

- Punch Monster® Mad Dog (formerly Dub Edition)
- Monster Rehab® Tea + Lemonade + Energy
- Monster Rehab® Raspberry Tea + Energy (formerly Rojo)
- Monster Rehab® Green Tea + Energy
- Monster Rehab® Tea + Orangeade + Energy
- Monster Rehab® Tea + Pink Lemonade + Energy
- Monster Rehab® Peach Tea + Energy
- Muscle Monster® Vanilla
- Muscle Monster® Chocolate
- Muscle Monster® Strawberry
- Muscle Monster® Banana
- Monster Ghost™ M-100™
- Monster Phantom™ M-100™
- Java Monster® Salted Caramel
- Monster Energy Extra Strength Nitrous Technology® Anti-Gravity®
- M3® Monster Energy® Super Concentrate
- Monster Energy® Zero Ultra
- Monster Energy® Ultra Blue™
- Monster Energy® Ultra Red™
- Monster Energy® Ultra Black™
- Monster Energy® Ultra Sunrise®
- Monster Energy® Ultra Citron™
- Monster Energy® Unleaded®
- Übermonster® Energy Brew™
- Monster Energy® Valentino Rossi
- Monster Energy® Gronk

We have three operating and reportable segments, (i) Finished Products, which is comprised primarily of our Monster Energy® drink products (previously comprising the majority of the former Direct Store Delivery segment) (“Finished Products”), (ii) Concentrate, the principal products of which include the supply of concentrates for the brands of energy drinks acquired from TCCC (the “Strategic Brands”) (“Concentrate”) and (iii) Other, the principal products of which include the brands disposed of as a result of the TCCC Transaction (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand).

During the three-months ended March 31, 2016, we continued to expand our existing energy drink portfolio and further develop our distribution markets. During the three-months ended March 31, 2016, we introduced the following products:

- Java Monster® Salted Caramel (January 2016).
- Monster Energy® Gronk, a carbonated energy drink (February 2016).

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In the normal course of business we discontinue certain products and/or product lines. Those products or product lines discontinued during the three-months ended March 31, 2016, either individually or in aggregate, did not have a material adverse impact on our financial position, results of operations or liquidity.

Our net sales of \$680.2 million for the three-months ended March 31, 2016 represented record sales for our first fiscal quarter. The vast majority of our net sales are derived from our Monster Energy® brand energy drinks. Net sales of our Monster Energy® brand energy drinks were \$613.8 million for the three-months ended March 31, 2016. Net sales of our Strategic Brands acquired as part of the TCCC Transaction were \$58.5 million for the three-months ended March 31, 2016.

Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Finished Products segment of approximately \$10.3 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Concentrate segment of approximately \$2.0 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

Our Finished Products segment represented 91.8% and 95.0% of our consolidated net sales for the three-months ended March 31, 2016 and 2015, respectively. Our Concentrate segment represented 8.2% of our consolidated net sales for the three-months ended March 31, 2016. There were no net sales for the Concentrate segment for the three-months ended March 31, 2015. Our Other segment represented 5.0% of our consolidated net sales for the three-months ended March 31, 2015. As a result of the TCCC Transaction, there were no net sales for the Other segment during the three-months ended March 31, 2016.

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

We believe that one of the keys to success in the beverage industry is differentiation, making our brands and products visually distinctive from other beverages on the shelves of retailers. We review our products and packaging on an ongoing basis and, where practical, endeavor to make them different, better and unique. The labels and graphics for many of our products are redesigned from time to time to maximize their visibility and identification, wherever they may be placed in stores, which we will continue to reevaluate from time to time.

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

Our growth strategy includes expanding our international business. Gross sales to customers outside the United States amounted to \$184.4 million and \$141.0 million for the three-months ended March 31, 2016 and 2015, respectively. Such sales were approximately 24% and 21% of gross sales for the three-months ended March 31, 2016 and 2015, respectively. Changes in foreign currency exchange rates had an unfavorable impact on gross sales to customers outside the United States of approximately 8% and 11% for the three-months ended March 31, 2016 and 2015, respectively, which was primarily due to a stronger U.S. dollar compared to certain

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local currencies in which we conduct certain of our international business.

Our customers are primarily full service beverage bottlers/distributors, retail grocery and specialty chains, wholesalers, club stores, drug chains, mass merchandisers, convenience chains, health food distributors, food service customers and the military. Gross sales to our various customer types for the three-months ended March 31, 2016 and 2015 are reflected below. Such information includes sales made by us directly to the customer types concerned, which include our full service beverage bottlers/distributors in the United States. Such full service beverage bottlers/distributors in turn sell certain of our products to some of the same customer types listed below. We limit our description of our customer types to include only our sales to our full service bottlers/distributors without reference to such distributors' sales to their own customers.

	Three-Months Ended March 31,	
	2016	2015
U.S. full service bottlers/distributors	66%	65%
Club stores, drug chains & mass merchandisers	9%	9%
International full service bottlers/distributors	24%	21%
Retail grocery, specialty chains and wholesalers	1%	3%
Other	0%	2%

Our customers include Coca-Cola Refreshments USA, Inc., Coca-Cola Bottling Company, CCBCC Operations, LLC, United Bottling Contracts Company, LLC, Swire Coca-Cola, USA and certain other TCCC independent bottlers, Coca-Cola Enterprises, Inc., Coca-Cola Hellenic, Asahi, Kalil Bottling Group, Wal-Mart, Inc. (including Sam's Club), Costco and Anheuser Busch ("AB") select independent AB distributors ("AB Distributors"). In February 2015, in accordance with our then existing agreements with the applicable AB Distributors, we sent notices of termination to the majority of the AB Distributors in the U.S. for the termination of their respective distribution agreements. The associated distribution rights relating to such terminated distribution agreements have been transitioned to TCCC's network of owned or controlled bottlers/distributors and independent bottlers/distributors as of the effective date of termination of the affected AB Distributors' rights in the applicable territories. As of April 29, 2016, distribution rights in the U.S. representing approximately 89% of the target case sales have been transitioned to TCCC's distribution network. A decision by any large customer to decrease amounts purchased from us or to cease carrying our products could have a material negative effect on our financial condition and consolidated results of operations. TCCC, through certain wholly-owned subsidiaries (the "TCCC Subsidiaries"), accounted for approximately 46% and 35% of our net sales for the three-months ended March 31, 2016 and 2015, respectively.

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Results of Operations

The following table sets forth key statistics for the three-months ended March 31, 2016 and 2015, respectively.

(In thousands, except per share amounts)	Three-Months Ended March 31,		Percentage Change
	2016	2015	16 vs. 15
Net sales ¹	\$ 680,186	\$ 626,791	8.5%
Cost of sales	257,088	257,834	(0.3%)
Gross profit* ¹	423,098	368,957	14.7%
Gross profit as a percentage of net sales ¹	62.2%	58.9%	
Operating expenses ^{2,3}	168,385	361,328	(53.4%)
Operating expenses as a percentage of net sales	24.8%	57.6%	
Operating income ^{1,2,3}	254,713	7,629	3,238.7%
Operating income as a percentage of net sales	37.4%	1.2%	
Interest and other income, net	608	1,233	(50.7%)
Income before provision for income taxes ^{1,2,3}	255,321	8,862	2,781.1%

Provision for income taxes	91,444	4,448	1,955.8%
Income taxes as a percentage of income before taxes	35.8%	50.2%	
Net income ^{1, 2, 3}	\$ 163,877	\$ 4,414	3,612.7%
Net income as a percentage of net sales	24.1%	0.7%	
Net income per common share:			
Basic	\$ 0.81	\$ 0.03	3,007.6%
Diluted	\$ 0.79	\$ 0.03	3,018.2%
Case sales (in thousands)			
(in 192-ounce case equivalents)	72,653	57,779	25.7%

¹Includes \$8.2 million and \$43.3 million for the three-months ended March 31, 2016 and 2015, respectively, related to the recognition of deferred revenue. Included in the \$43.3 million recognition of deferred revenue for the three-months ended March 31, 2015, is \$39.8 million related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

²Includes \$3.4 million and \$206.0 million for the three-months ended March 31, 2016 and 2015, respectively, related to distributor termination costs.

³Includes \$3.6 million for the three-months ended March 31, 2015 related to TCCC Transaction related expenses.

*Gross profit may not be comparable to that of other entities since some entities include all costs associated with their distribution

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process in cost of sales, whereas others exclude certain costs and instead include such costs within another line item such as operating expenses. We include out-bound freight and warehouse costs in operating expenses rather than in cost of sales.

Results of Operations for the Three-Months Ended March 31, 2016 Compared to the Three-Months Ended March 31, 2015.

Net Sales. Net sales were \$680.2 million for the three-months ended March 31, 2016, an increase of approximately \$53.4 million, or 8.5% higher than net sales of \$626.8 million for the three-months ended March 31, 2015. The increase in net sales of our Monster Energy® brand energy drinks represented approximately \$61.6 million of the overall increase in net sales. Net sales of our Monster Energy® brand energy drinks increased partially due to increased sales by volume as a result of increased domestic and international consumer demand. Our net sales of \$680.2 million for the three-months ended March 31, 2016 were enhanced by a pre-announced price increase that became effective on August 31, 2015 on certain of our Monster Energy® brand energy drinks. We estimate that net sales for the three-months ended March 31, 2016 were increased by approximately \$25.8 million as a result of such price increase. Net sales of our Strategic Brands were \$58.5 million for the three-months ended March 31, 2016. There were no net sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction on June 12, 2015 (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), which resulted in a decrease in net sales for the Other segment of \$31.3 million for the three-months ended March 31, 2016 from the three-months ended March 31, 2015. No other individual product line contributed either a material increase or decrease to net sales for the three-months ended March 31, 2016.

Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Finished Products segment of approximately \$10.3 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on net sales in the Concentrate segment of approximately \$2.0 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

Case sales, in 192-ounce case equivalents, were 72.7 million cases for the three-months ended March 31, 2016, an increase of approximately 14.9 million cases or 25.7% higher than case sales of 57.8 million cases for the three-months ended March 31, 2015. The overall average net sales per case decreased to \$9.36 for the three-months ended March 31, 2016, which was 13.7% lower than the average net sales per case of \$10.85 for the three-months ended March 31, 2015. The lower net sales per case was primarily attributable to sales of concentrates and/or beverage bases in the Concentrate segment, which generally generate lower net operating revenues than those products within the Finished Products segment.

Net sales for the Finished Products segment were \$624.3 million for the three-months ended March 31, 2016, an increase of approximately \$28.8 million, or 4.8% higher than net sales of \$595.5 million for the three-months ended March 31, 2015. Our net sales for the Finished Products segment of \$624.3 million for the three-months ended March 31, 2016 were enhanced by a pre-announced price increase that became effective on August 31, 2015 on certain of our Monster Energy® brand energy drinks. We estimate that net sales of the Finished Products segment for the three-months ended March 31, 2016 were increased by approximately \$25.8 million as a result of such price increase. No other individual product line contributed either a material increase or decrease to net sales for the three-months ended March 31, 2016.

Net sales for the Concentrate segment were \$55.9 million for the three-months ended March 31, 2016. There were no net sales for the Concentrate segment for the three-months ended March 31, 2015.

Gross Profit. Gross profit was \$423.1 million for the three-months ended March 31, 2016, an increase of approximately \$54.1 million, or 14.7% higher than the gross profit of \$369.0 million for the three-months ended March 31, 2015. Gross profit as a percentage of net sales increased to 62.2% for the three-months ended March 31, 2016 from 58.9% for the three-months ended March 31, 2015. The increase in gross profit dollars

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was primarily the result of the \$61.6 million increase in net sales of our Monster Energy® brand energy drinks as well as the \$58.5 million of net sales of our Strategic Brands. The increase in gross profit as a percentage of net sales was primarily attributable to the Concentrate segment, which generally has higher gross margins than the Finished Products segment, as well as to the disposal of the Other segment, which generally has lower gross margins than the Finished Products segment, lower costs of certain raw materials, the price increase described above and changes in product sales mix.

Operating Expenses. Total operating expenses were \$168.4 million for the three-months ended March 31, 2016, a decrease of approximately \$192.9 million, or 53.4% lower than total operating expenses of \$361.3 million for the three-months ended March 31, 2015. The decrease in operating expenses was primarily due to the \$202.5 million decrease in costs associated with distributor terminations. To a lesser extent, the decrease in operating expenses was also due to decreased expenditures of \$3.5 million of professional service costs and transaction expenses related to the TCCC Transaction. The decrease in operating expenses was partially offset by increased expenditures of \$4.6 million for sponsorships and endorsements, increased expenditures of \$5.0 million for professional service costs (exclusive of expenditures related to the TCCC Transaction), including legal and accounting fees and increased expenditures of \$2.7 million for merchandise displays.

Contribution Margin. Contribution margin for the Finished Products segment was \$268.0 million for the three-months ended March 31, 2016, an increase of approximately \$212.4 million, or 381.8% higher than contribution margin of \$55.6 million for the three-months ended March 31, 2015. The increase in contribution margin for the Finished Products segment was primarily the result of the \$202.5 million decrease in costs associated with distributor terminations as well as the \$61.6 million increase in net sales of our Monster Energy® brand energy drinks. The increase in contribution margin for the Finished Products segment was partially offset by the \$39.8 million of accelerated amortization of deferred revenue during the three-months ended March 31, 2015 related to distributor terminations. Contribution margin for the Concentrate segment was \$38.1 million for the three-months ended March 31, 2016. There was no contribution margin for the Concentrate segment for the three-months ended March 31, 2015. Contribution margin for the Other segment was \$2.0 million for the three-months ended March 31, 2015. There was no contribution margin for the Other segment for the three-months ended March 31, 2016.

Operating Income. Operating income was \$254.7 million for the three-months ended March 31, 2016, an increase of approximately \$247.1 million, or 3,238.7% higher than operating income of \$7.6 million for the three-months ended March 31, 2015. Operating income as a percentage of net sales increased to 37.4% for the three-months ended March 31, 2016 from 1.2% for the three-months ended March 31, 2015. The increase in operating income in dollars was primarily due to the \$202.5 million decrease in costs associated with distributor terminations as well as the \$54.1 million increase in gross profit. Operating income was \$24.6 million and \$8.1 million for the three-months ended March 31, 2016 and 2015, respectively, in relation to our operations in Africa, Asia, Australia, Europe, the Middle East and South America.

Interest and Other Income, net. Interest and other income, net was \$0.6 million for the three-months ended March 31, 2016, as compared to interest and other income, net of \$1.2 million for the three-months ended March 31, 2015. Foreign currency transaction gains (losses) were (\$1.4) million and \$0.8 million for the three-months ended March 31, 2016 and 2015, respectively. Interest income was \$2.0 million and \$0.3 million for the three-months ended March 31, 2016 and 2015, respectively.

Provision for Income Taxes. Provision for income taxes was \$91.4 million for the three-months ended March 31, 2016, an increase of \$87.0 million or 1,955.8% higher than the provision for income taxes of \$4.4 million for the three-months ended March 31, 2015. The effective combined federal, state and foreign tax rate decreased to 35.8% from 50.2% for the three-months ended March 31, 2016 and 2015, respectively. The decrease in the effective tax rate was primarily due to the domestic production deduction. In addition, the effective tax rate for the three months ended March 31, 2015 was high due to (i) the non-deductibility of certain TCCC Transaction costs, and (ii) the ratio between: (a) net losses earned in certain foreign subsidiaries that have no related income tax expense as a result of the prior establishment of valuation allowance on their deferred tax assets, and (b) the overall lower net income of the Company due primarily to distributor termination costs.

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Net Income. Net income was \$163.9 million for the three-months ended March 31, 2016, an increase of \$159.5 million or 3,612.7% higher than net income of \$4.4 million for the three-months ended March 31, 2015. The increase in net income was primarily attributable to the \$202.5 million decrease in costs associated with distributor terminations as well as the increase in gross profit of \$54.1 million. The increase in net income was partially offset by an increase in the provision of income taxes of \$87.0 million.

Non-GAAP Financial Measures

Gross Sales.** Gross sales were \$777.5 million for the three-months ended March 31, 2016, an increase of approximately \$67.3 million, or 9.5% higher than gross sales of \$710.2 million for the three-months ended March 31, 2015. The increase in gross sales of our Monster Energy® brand energy drinks represented approximately \$73.7 million of the overall increase in gross sales. Gross sales of our Monster Energy® brand energy drinks increased partially due to increased sales by volume as a result of increased domestic and international consumer demand. Our gross sales of \$777.5 million for the three-months ended March 31, 2016 were enhanced by a pre-announced price

increase that became effective on August 31, 2015 on certain of our Monster Energy® brand energy drinks. We estimate that gross sales for the three-months ended March 31, 2016 were increased by approximately \$25.8 million as a result of such price increase. Gross sales of our Strategic Brands were \$64.0 million for the three-months ended March 31, 2016. There were no gross sales for the Other segment, the principal products of which include the brands disposed of as a result of the TCCC Transaction on June 12, 2015 (previously comprising the majority of the former Warehouse segment and the Peace Tea® brand), which resulted in a decrease in gross sales for the Other segment of \$35.3 million for the three-months ended March 31, 2016 from the three-months ended March 31, 2015. Promotional and other allowances, as described in the footnote below, were \$97.3 million for the three-months ended March 31, 2016, an increase of \$13.9 million, or 16.7% higher than promotional and other allowances of \$83.4 million for the three-months ended March 31, 2015. Promotional and other allowances as a percentage of gross sales increased to 12.5% from 11.7% for the three-months ended March 31, 2016 and 2015, respectively. No other individual product line contributed either a material increase or decrease to gross sales for the three-months ended March 31, 2016.

Changes in foreign currency exchange rates had an unfavorable impact on gross sales in the Finished Products segment of approximately \$13.0 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business. Changes in foreign currency exchange rates had an unfavorable impact on gross sales in the Concentrate segment of approximately \$2.1 million for the three-months ended March 31, 2016, which was primarily due to a stronger U.S. dollar compared to certain local currencies in which we conduct certain of our international business.

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

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

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(In thousands, except per share amounts)	Three-Months Ended		Percentage Change 16 vs. 15
	2016	2015	
Gross sales, net of discounts and returns	\$ 777,508	\$ 710,193	9.5%
Less: Promotional and other allowances***	97,322	83,402	16.7%
Net Sales	<u>\$ 680,186</u>	<u>\$ 626,791</u>	8.5%

****Although the expenditures described in this line item are determined in accordance with GAAP and meet GAAP requirements, the presentation thereof does not conform with GAAP presentation requirements. Additionally, our definition of promotional and other allowances may not be comparable to similar items presented by other companies. Promotional and other allowances primarily include consideration given to the Company's bottlers/distributors or retail customers including, but not limited to the following: (i) discounts granted off list prices to support price promotions to end-consumers by retailers; (ii) reimbursements given to the Company's bottlers/distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products; (iii) the Company's agreed share of fees given to bottlers/distributors and/or directly to retailers for advertising, in-store marketing and promotional activities; (iv) the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers; (v) incentives given to the Company's bottlers/distributors and/or retailers for achieving or exceeding certain predetermined sales goals; (vi) discounted or free products; (vii) contractual fees given to the Company's bottlers/distributors related to sales made by the Company direct to certain customers that fall within the bottler's/distributors' sales territories; and (viii) commissions paid to our customers. The presentation of promotional and other allowances facilitates an evaluation of their impact on the determination of net sales and the spending levels incurred or correlated with such sales. Promotional and other allowances constitute a material portion of our marketing activities. The Company's promotional allowance programs with its numerous bottlers/distributors and/or retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one week to one year. The primary drivers of our promotional and other allowance activities for the three-months ended March 31, 2016 and 2015 were (i) to increase sales volume and trial, (ii) to address market conditions, and (iii) to secure shelf and display space at retail.*

Liquidity and Capital Resources

Cash flows provided by operating activities. Cash provided by operating activities was \$109.6 million for the three-months ended March 31, 2016, as compared with net cash provided by operating activities of \$102.9 million for the three-months ended March 31, 2015.

For the three-months ended March 31, 2016, cash provided by operating activities was primarily attributable to net income earned of \$163.9 million and adjustments for certain non-cash expenses, consisting of \$10.1 million of stock-based compensation and \$9.0 million of depreciation and other amortization. For the three-months ended March 31, 2016, cash provided by operating activities also increased due to a \$36.1 million increase in accounts payable, a \$12.2 million increase in accrued liabilities, a \$13.1 million increase in accrued promotional allowances and a \$3.1 million increase in deferred revenue. For the three-months ended March 31, 2016, cash used in operating activities was due to a \$58.6 million increase in accounts receivable, a \$34.8 million decrease in income taxes payable, a \$10.5 million increase in prepaid income taxes, a \$7.6 million increase in inventories, a \$12.8 million increase in prepaid expenses and other current assets, a \$9.1 million decrease in accrued compensation and a \$2.9 million decrease in accrued distributor terminations.

For the three-months ended March 31, 2015, cash provided by operating activities was primarily attributable to a \$206.0 million increase in accrued distributor terminations, a \$42.7 million increase in accounts payable and a \$5.4 million increase in accrued liabilities as well as net income earned of \$4.4 million and adjustments for certain non-cash expenses consisting of \$6.5 million of depreciation and amortization and \$6.4 million of stock-based compensation. For the three-months ended March 31, 2015, cash used in operating activities was due to a \$68.1 million increase in accounts receivable, a \$40.0 million decrease in deferred revenue, a \$26.5 million increase in inventories, a

\$13.5 million increase in prepaid income taxes, a \$7.9 million decrease in accrued compensation, a \$4.3 million decrease in income tax payable and a \$2.2 million decrease in accrued promotional allowances.

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Cash flows provided by investing activities. We generated \$234.3 million of cash from investing activities for the three-months ended March 31, 2016 as compared to \$129.6 million for the three-months ended March 31, 2015.

Net cash provided by investing activities was \$234.3 million for the three-months ended March 31, 2016, as compared to net cash provided by investing activities of \$129.6 million for the three-months ended March 31, 2015. For the three-months ended March 31, 2016 and 2015, cash used in investing activities was primarily attributable to purchases of held-to-maturity investments, purchases of property and equipment, and additions to intangibles. For both the three-months ended March 31, 2016 and 2015, cash provided by investing activities was primarily attributable to maturities of held-to-maturity investments. For both the three-months ended March 31, 2016 and 2015, cash used in investing activities also included the acquisitions of fixed assets consisting of vans and promotional vehicles, coolers and other equipment to support our marketing and promotional activities, production equipment, furniture and fixtures, office and computer equipment, computer software, and equipment used for sales and administrative activities, as well as certain leasehold improvements. We expect to continue to use a portion of our cash in excess of our requirements for operations for purchasing short-term and long-term investments, and for other corporate purposes, leasehold improvements, the acquisition of capital equipment, specifically, vans, trucks and promotional vehicles, coolers, other promotional equipment, merchandise displays, warehousing racks as well as items of production equipment required to produce certain of our existing and/or new products and to develop our brand in international markets. From time to time, we may also purchase additional real property related to our beverage business and/or acquire compatible businesses as a use of cash in excess of our requirements for operations.

Cash flows provided by (used in) financing activities. We generated \$1.5 million of cash in financing activities for the three-months ended March 31, 2016 as compared to cash used in financing activities of (\$232.5) million for the three-months ended March 31, 2015. The cash flows used in financing activities for the three-months ended March 31, 2015 was primarily the result of the repurchases of our common stock (2.2 million shares were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of \$251.4 million).

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

Cash and cash equivalents, short-term and long-term investments. At March 31, 2016, we had \$2,528.1 million in cash and cash equivalents and \$515.7 million in short-term and long-term investments. We have historically invested these amounts in U.S. Treasury bills, U.S. government agency securities and municipal securities, commercial paper, certificates of deposit and money market funds meeting certain criteria. We maintain our investments for cash management purposes and not for purposes of speculation. Our risk management policies emphasize credit quality (primarily based on short-term ratings by nationally recognized statistical organizations) in selecting and maintaining our investments. We regularly assess market risk of our investments and believe our current policies and investment practices adequately limit those risks. However, certain of these investments are subject to general credit, liquidity, market and interest rate risks. These market risks associated with our investment portfolio may have an adverse effect on our future results of operations, liquidity and financial condition.

Of our \$2,528.1 million of cash and cash equivalents held at March 31, 2016, \$211.7 million was held by our foreign subsidiaries. No short-term or long-term investments were held by our foreign subsidiaries at March 31, 2016. We do not intend, nor do we foresee a need, to repatriate undistributed earnings of our foreign subsidiaries other than to repay certain intercompany debt owed to our U.S. operations. Under current tax laws, if funds in excess of intercompany amounts owed were repatriated to our U.S. operations, we would be required to accrue and pay additional income taxes on such excess funds at the tax rates then in effect.

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We believe that cash available from operations, including our cash resources and access to credit, will be sufficient for our working capital needs, including purchase commitments for raw materials and inventory, increases in accounts receivable, payments of tax liabilities, expansion and development needs, purchases of shares of our common stock, as well as any purchases of capital assets, equipment and properties, through at least the next 12 months. Based on our current plans, at this time we estimate that capital expenditures are likely to be approximately \$2.1 billion (after disbursement of the \$690 million for the acquisition of AFF) through March 31, 2017, including additional share repurchases authorized by our Board of Directors on February 24, 2016 (see note 13 “Treasury Stock” in the notes to the condensed consolidated financial statements). However, future business opportunities may cause a change in this estimate.

The following represents a summary of the Company’s contractual commitments and related scheduled maturities as of March 31, 2016:

Obligations	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations ¹	\$ 106,316	\$ 63,891	\$ 42,380	\$ 45	\$ -

Capital Leases	1,455	1,455	-	-	-
Operating Leases	11,076	6,745	2,892	789	650
Purchase Commitments ²	33,621	33,621	-	-	-
	<u>\$ 152,468</u>	<u>\$ 105,712</u>	<u>\$ 45,272</u>	<u>\$ 834</u>	<u>\$ 650</u>

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

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

In addition, approximately \$0.5 million of unrecognized tax benefits have been recorded as liabilities as of March 31, 2016. It is expected that the amount of unrecognized tax benefits will not significantly change within the next 12 months. We have also recorded a liability for potential penalties and interest of \$0.2 million as of March 31, 2016.

Sales

The table below discloses selected quarterly data regarding sales for the three-months ended March 31, 2016 and 2015, respectively. Data from any one or more quarters or periods is not necessarily indicative of annual results or continuing trends.

Sales of beverages are expressed in unit case volume. A “unit case” means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings). Unit case volume means the number of unit cases (or unit case equivalents) of finished products or concentrates as if converted into finished products sold by us.

Our quarterly results of operations reflect seasonal trends that are primarily the result of increased demand in the warmer months of the year. It has been our experience that beverage sales tend to be lower during the first and fourth quarters of each calendar year. However, our experience with our energy drink products suggests they may be less seasonal than the seasonality expected from traditional beverages. In addition, our continued growth in countries located in the southern hemisphere may further reduce the impact of seasonality. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets where temperature fluctuations are more pronounced, the addition of new bottlers, customers and distributors, changes in the sales mix of our products and changes in advertising and promotional expenses.

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(In thousands, except average net sales per case)	Three-Months Ended	
	March 31,	
	2016	2015
Net sales ¹	\$ 680,186	\$ 626,791
Case sales by segment:		
Finished Products	57,877	51,847
Concentrate	14,776	-
Other	-	5,932
Total case sales	<u>72,653</u>	<u>57,779</u>
Average net sales per case	<u>\$ 9.36</u>	<u>\$ 10.85</u>

¹Includes \$39.8 million for the three-months ended March 31, 2015, related to the accelerated amortization of the deferred revenue balances associated with certain of the Company's prior distributors who were sent notices of termination during the first quarter of 2015.

See Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Our Business” for additional information related to the increase in sales.

Critical Accounting Policies

There have been no material changes to our critical accounting policies from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (“Form 10-K”).

Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting”, which changes how companies account for certain aspects of share-based payments to employees. The new guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, and certain classifications on the statement of cash flows. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods with early application permitted. The Company early adopted the standards update effective January 1, 2016, electing (i) retrospective adjustment in the statement of cash flows and (ii) continued recognition stock compensation based on estimated forfeitures. For the three-months ended March 31, 2015, net cash provided by operating activities and net cash used in financing activities increased by \$184.7 million, respectively, as a result of such retrospective adjustment. The adoption of ASU 2016-09 did not have a material impact on the Company’s financial position, results of operations or liquidity.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. This update will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for annual and interim reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2016-02 on its financial position, results of operations and liquidity.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes”. The amendments under the new guidance require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or

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annual reporting period. The Company adopted the standards update effective December 31, 2015, electing to apply it retrospectively to all periods presented.

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

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

Inflation

We believe inflation did not have a significant impact on our results of operations for the periods presented.

Forward-Looking Statements

Certain statements made in this report may constitute forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) (the “Exchange Act”) regarding the expectations of management with respect to revenues, profitability, adequacy of funds from operations and our existing credit facility, among other things. All statements containing a projection of revenues, income (loss), earnings (loss) per share, capital expenditures, dividends, capital structure or other financial items, a statement of management’s plans and objectives for future operations, or a statement of future economic performance contained in management’s discussion and analysis of financial condition and results of operations, including statements related to new products, volume growth and statements encompassing general optimism about future operating results and non-historical information, are forward-looking statements within the meaning of the Act. Without limiting the foregoing, the words “believes,” “thinks,” “anticipates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements.

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

- The intended commencement of the \$2.0 billion tender offer;
- Our ability to recognize any and/or all of the benefits from the TCCC Transaction and the AFF transaction;
- The effect of our extensive commercial arrangements with TCCC on our future performance;
- The effect of TCCC becoming one of our significant shareholders and the potential divergence of TCCC’s interests from those of our other shareholders;

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- Our ability to successfully transfer the distribution of our Monster Energy® brand energy drinks in certain existing domestic and international territories to bottlers/distributors within the TCCC distribution system on terms beneficial to us;
- Our ability to successfully enter into new distribution agreements with bottlers/distributors within the TCCC distribution system for new international territories;
- Disruption in distribution or sales and/or decline in sales due to the termination and/or appointment of existing and/or new domestic and/or

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

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- (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose excise and/or sales taxes, limit product sizes or impose age restrictions for the sale of energy drinks;
- Our ability to comply with and/or resulting lower consumer demand for energy drinks due to proposed and/or future U.S. federal, state and local laws and regulations and/or proposed or existing laws and regulations in certain foreign jurisdictions and/or any changes therein, including changes in taxation requirements (including tax rate changes, new tax laws, new and/or increased excise and/or sales and/or other taxes on our products and revised tax law interpretations) and environmental laws, as well as the Federal Food Drug & Cosmetic Act, including as amended by the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, as well as changes in any other food, drug or similar laws in the United States and internationally, especially those that may restrict the sale of energy drinks (including prohibiting the sale of energy drinks at certain establishments or pursuant to certain governmental programs), limit caffeine content in beverages, require certain product labeling disclosures and/or warnings, impose excise taxes, limit product sizes, or impose age restrictions for the sale of energy drinks, as well as laws and regulations or rules made or enforced by the FDA, and/or the Bureau of Alcohol, Tobacco and Firearms and Explosives, and/or the FTC;
 - Our ability to satisfy all criteria set forth in any model energy drink guidelines, including, without limitation, those adopted by the American Beverage Association, of which the Company is a member, and/or any international beverage association and the impact on the Company of such guidelines;
 - Disruptions in the timely import or export of our products and/or ingredients due to port strikes and related labor issues;
 - The effect of unfavorable or adverse public relations and/or press and/or articles, comments and/or media attention;
 - Changes in the cost, quality and availability of containers, packaging materials, aluminum, the Midwest and other premiums, raw materials and other ingredients and juice concentrates, and our ability to obtain and/or maintain favorable supply arrangements and relationships and procure timely and/or sufficient production of all or any of our products to meet customer demand;
 - The impact of corporate activity among the limited number of suppliers from whom we purchase certain raw materials on our cost of sales;
 - Our ability to pass on to our customers all or a portion of any increases in the costs of raw materials and/or ingredients and/or commodities and/or other cost inputs affecting our business;
 - Our ability to achieve both internal domestic and international forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others; there can be no assurance that we will achieve projected levels of sales as well as forecasted product and/or geographic mixes;

- Our ability to penetrate new domestic and/or international markets and/or gain approval or mitigate the delay in securing approval for the sale of our products in various countries;
- Economic or political instability in one or more of our international markets;
- The effectiveness of sales and/or marketing efforts by us and/or the distributors of our products, most of which distribute products that are competitive with our products;
- Unilateral decisions by distributors, convenience chains, grocery chains, mass merchandisers, specialty chain stores, club stores and other customers to discontinue carrying all or any of our products that they are carrying at any time and/or restrict the range of our products they carry and/or devote less resources to the sale of our products;
- The costs and/or effectiveness, now or in the future, of our advertising, marketing and promotional strategies;
- The success of our sports marketing endeavors both domestically and internationally;
- Changes in product category consumption;
- Unforeseen economic and political changes;
- Possible recalls of our products and/or defective production;
- Our ability to make suitable arrangements for the co-packing of any of our products both domestically and

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- internationally and/or the timely replacement of discontinued co-packing arrangements;
- Our ability to make suitable arrangements for the timely procurement of non-defective raw materials;
- Our inability to protect and/or the loss of our intellectual property rights and/or our inability to use our trademarks and/or trade names or designs in certain countries;
- Volatility of stock prices which may restrict stock sales, stock purchases or other opportunities;
- Provisions in our organizational documents and/or control by insiders which may prevent changes in control even if such changes would be beneficial to other stockholders;
- The failure of our bottlers and/or contract packers to manufacture our products on a timely basis or at all;
- Exposure to significant liabilities due to litigation, legal or regulatory proceedings;
- Any disruption in and/or lack of effectiveness of our information technology systems, including a breach of cyber security, that disrupts our business or negatively impacts customer relationships; and
- Recruitment and retention of senior management, other key employees and our employee base in general.

The foregoing list of important factors and other risks detailed from time to time in our reports filed with the SEC is not exhaustive. See the section entitled “Risk Factors” in our Form 10-K for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. Those factors and the other risk factors described therein are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, our actual results could be materially different from the results described or anticipated by our forward-looking statements, due to the inherent uncertainty of estimates, forecasts and projections and may be better or worse than anticipated. Given these uncertainties, you should not rely on forward-looking statements. Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this report, in order to reflect changes in circumstances or expectations or the occurrence of unanticipated events except to the extent required by applicable securities laws.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three-months ended March 31, 2016 compared with the disclosures in Part II, Item 7A of our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in Internal Control Over Financial Reporting – There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is incorporated herein by reference to the Notes to Condensed Consolidated Financial Statements-Note 11. Commitments and Contingencies: Legal Proceedings in Part I, Item 1, of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Our Risk Factors are discussed in our Form 10-K. There have been no material changes with respect to the risk factors disclosed in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three-months ended March 31, 2016, 15,277 shares were purchased from employees in lieu of cash payments for options exercised or withholding taxes due for a total amount of \$2.0 million. While such purchases are considered common stock repurchases, they are not counted as purchases against the Company's authorized share repurchase programs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- | | |
|-------|---|
| 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 |
| 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 |
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101* | The following financial information from Monster Beverage Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015, (ii) Condensed Consolidated Statements of Income for the three-months ended March 31, 2016 and 2015, (iii) Condensed Consolidated Statements of Comprehensive Income for the three-months ended March 31, 2016 and 2015, (iv) Condensed Consolidated Statements of Cash Flows for the three-months ended March 31, 2016 and 2015, and (v) the Notes to Condensed Consolidated Financial Statements. |

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* Filed herewith

SIGNATURES

Pursuant to 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.

MONSTER BEVERAGE CORPORATION
Registrant

Date: April 29, 2016

/s/ RODNEY C. SACKS
Rodney C. Sacks
Chairman of the Board of Directors
and Chief Executive Officer

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CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Rodney Sacks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monster Beverage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

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- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/Rodney C. Sacks

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

CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Hilton Schlosberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monster Beverage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2016

/s/ Hilton H. Schlosberg

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

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

In connection with the quarterly report of Monster Beverage Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Rodney C. Sacks, Chairman of the Board of Directors and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Rodney C. Sacks

Rodney C. Sacks

Chairman of the Board of Directors
and Chief Executive Officer

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

In connection with the quarterly report of Monster Beverage Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Hilton H. Schlosberg, Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer and Secretary of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2016

/s/ Hilton H. Schlosberg

Hilton H. Schlosberg

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