



March 15, 2013

Sectors:

Nutraceutical & Functional Water

Industry:

Non-carbonated Beverages

| | |
|---------------------------------------|------------------|
| Symbol: | PLSB |
| Price: | \$1.30 |
| Shares Out: | 36.47m |
| Float: | 30.48m |
| Market Cap: | 47m |
| Debt: | Zero |
| Shareholders | ~ 3,000 |
| Projected Cases of Cabana Sales- 2013 | 3.0m |
| Projected Cases of Pulse Sales 2013 | 1.5m |
| Average Volume: | 154,452 (30-day) |
| 52-Week High: | \$1.48 |
| 52-Week Low: | \$.43 |
| NBT Equities | \$3.50 |
| 12m Target | |



Pulse Beverage Corporation

The Pulse Beverage Corporation (PLSB) is based in Northglenn, Colorado and was founded specifically to exploit niche markets in the beverage industry, which accounts for more than \$105 billion annually in sales of non-alcoholic beverages. PLSB develops and markets groundbreaking nutritional drinks to the beverage industry. They are unique in that their current product line was originally developed by a major healthcare corporation to be scientifically effective and contain REAL nutritional ingredients.

The VEB unit of Coca-Cola has expressed to Pulse Management that the beverage industry is trending to the niche beverage products such as PULSE®. VEB has expressed that nutraceutical beverages that are scientifically formulated, having sufficient dosages of active ingredients to help maintain or make a difference to your health is where the beverage industry is trending quickly.

Pulse's initial products consist of PULSE® Heart Health, Women's Health and Men's Health Formulas and Cabana™ 100% Natural Lemonade.



The PULSE® brand is 2 to 3 years ahead in development compared to other "emerging" brands for the following reasons:

- VEB unit of Coca-Cola's expressed interest in the PULSE® brand.
- Scientifically developed PULSE® brand has had in excess of \$10 million spent on product formulation and extensive and successful test marketing.
- The PULSE® brand of beverages was formulated to be scientifically effective by containing ingredients that are widely considered to be critical to adult
- Seasoned management team each having 25+ years in the beverage industry with proven track records.
- An existing extensive distribution network which is expanding across North America and Internationally - A MAJOR KEY TO SUCCESS.
- Two product lines fall within this growing market – Cabana™ 100% Natural Lemonades and the newly introduced PULSE® NutriPurpose™ beverages that may be the only refreshment beverages developed with sufficient dosages of active functional ingredients to promote health.
- Pulse has included liposome nanotechnology that introduces the ingredients into the beverage in a format that allows the body to absorb the nutrients.
- Pulse has free and clear ownership of the formulations, rights and trademarks relating to the PULSE® brand of beverages including the right to use the following Side-Panel Statement: "Formulation developed under license from BAXTER HEALTHCARE CORPORATION". This right is in perpetuity without royalties.

Pulse has entered the fastest growing segment of the non-carbonated beverage industry, the functional and natural RTD segment and now other are starting to watch them because of their efforts.



What is a NutriPurpose™ beverage?

"NutriPurpose™" is a term combining the essence of "nutrition" and "purposed functionality" and depicts a food product that provides health and nutritional benefits, including the prevention and treatment of disease. Many of the Pulse® products were scientifically researched and formulated with a major healthcare corporation.



Uniquely Positioned

Pulse has uniquely positioned itself to launch this product given its knowledge and history in nutrition, and its experience in manufacturing and distribution. Pulse's line of NutriPurpose™ beverages address key nutritional needs of people of all ages but specifically for people 30+ who want to feel 30+ for the rest of their lives. Pulse's entry into this market segment taps the Company's extensive experience in nutritional solutions, particularly its expertise in formulating non-water soluble ingredients into a water-based solution and developing specialized containers to assure stability and shelf-life.

Pulse® beverages contain functional ingredients, including certain vitamins and anti-oxidants such as Vitamins C, D, E, B6, and B12, Folic Acid, Calcium, Magnesium, lycopene, selenium, soluble fiber, green tea catechins and soy isoflavones. It is accepted in the health industry that these vitamins are nutritional and aid in promoting health. Pulse® NutriPurpose™ beverages are unique in that they were developed under license with a major healthcare company to be scientifically effective per the recommended servings and contain ingredients that are widely considered to support adult health.

The Market

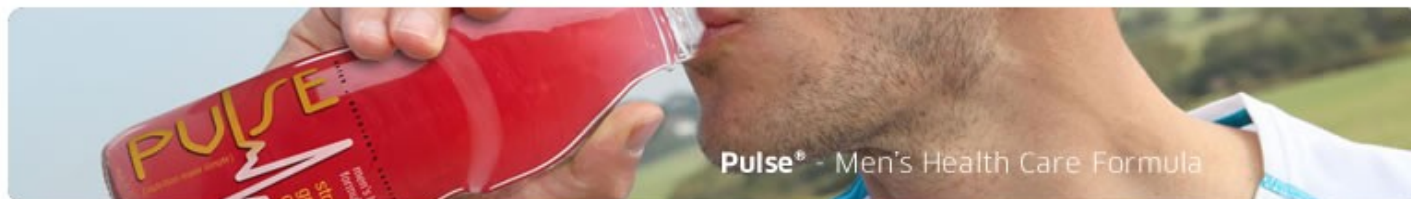
The Pulse® NutriPurpose™ brand of beverages address key nutritional needs of people of all ages but specifically for people 30+ who want to feel 30+ for the rest of their lives. The targeted demographics for Pulse® NutriPurpose™ include the influential "baby boomers" market due to that segments desire to maintain health and youthfulness, while aging and starting to experience chronic health conditions. The Pulse® brand mission and concept is supported by a growing consumer link between nutrition and wellness and the ever growing need for convenient solutions. This fact ensures that the product lines do not just attract the huge "baby boomer" category but includes all consumers who want health conscious beverages. Pulse's goal is to create a new product category that is focused on providing true and meaningful health and wellness benefits in a convenient, enjoyable and good tasting format.



The Industry

The United States has more than 2600 beverage companies and 500 bottlers. Collectively, they account for approximately \$105 billion in annual sales. Globally it is estimated that more than \$300 billion of non-alcoholic beverages are sold annually. The market is controlled by two giants, Coca-Cola and PepsiCo: the former controls 50% of the world market, the latter 21%.

Carbonated beverage sales have slipped while sales of energy shots have surged. Market experts predict that carbonated beverage companies will have to work harder than ever before to off-set flagging demand. Industry watchers believe that growth will be largely confined to non-carbonated beverages and will chiefly affect functional drinks (Note: NutriPurposed™, sports and energy drinks are expected to be the principal beneficiaries).



Pulse® - Men's Health Care Formula

Product Overview

Pulse® NutriPurpose™ Brand

The PULSE brand of functional beverages is not an emerging growth brand; it is 2 to 3 years ahead in development as significant development and test marketing costs were spent by a major healthcare company. The PULSE brand is formulated and aimed at specific health platforms, providing all natural functional ingredients in a low calorie format. "PULSE: Nutrition Made Simple" is a registered trademark. The Pulse Brand offers consumers the nutrients they need in a great tasting beverage in a convenient package. The nutrients in all PULSE beverages are backed by solid research and are scientifically demonstrated to promote health in targeted areas. The nutritional ingredients were specifically selected to provide the nutrition necessary to achieve targeted health benefits using liposome nanotechnology that introduces the ingredients into the beverage in a format that allows the body to absorb the nutrients. These nutrients normally cannot be consumed in adequate amounts by eating food without substantially increasing calories.



Pulse® - Men's Health Formula™

A unique combination of nutritional ingredients loaded with a variety of powerful antioxidants that scavenge free radicals in the body. Free radicals are associated with aging, cardiovascular problems, cancer and other health concerns that confront men daily. While designed to support areas such as prostate health in particular, the combination of green tea catechins, vitamins E & C, lycopene and selenium help men maintain a counter attack in the battle against free radical damage to their bodies.

Pulse® -Women's Health Formula™

A nutritional beverage designed specifically for women that contains meaningful levels of key ingredients that work in concert to enhance bone health such as calcium, magnesium and Vitamin D. In addition these ingredients, coupled with folic acid and other B vitamins can help women prepare for pregnancy, while at the same time, the soy isoflavones included can help older women buffer symptoms of menopause.

Pulse® - Heart Health Formula™

Contains safe and effective levels of a number of important heart and health friendly nutrients such as Vitamin C and selenium, both of which are important to help maintain the health of the heart. Pulse® Heart Health is a great testing beverage that is an excellent source of dietary fiber to help maintain healthy cholesterol levels within the normal range.

Proprietary beverage formulations offering demonstrable clinical benefits are in the design stage:

- Buffering sugar response and assisting in preventing the onset of Type 2 diabetes
- Supporting good skin health
- Managing body weight
- Retarding macular degeneration and preserving eyesight

Cabana™ 100% Natural Lemonades

Refreshing, all-natural, “good-for-you”, ready-to-drink lemonades in five distinct and great tasting flavors including Tropical Mango, Strawberry, Cherry, Island Spice and Lemonade. They have been formulated with all natural ingredients and without the use of artificial sweeteners. Pulse made a strategic decision to roll out the Cabana™ lemonades after recognizing the opportunity in the all-natural lemonade beverage category. There are few competitors and the leader in the field (Calypso™) grew at a more than 50% rate over the previous year. Overall the lemonade category grew at an 11.3% rate according to the September 2011 issue of *Beverage Spectrum* magazine, thus indicating a significant opportunity for Pulse to create its distribution system with a product in a market that is growing and that has only one other major competitor with the claim of 100% natural ingredients.



Competitive Landscape - Cabana™ 100% Natural Lemonades

- Calypso - distributed in only 30% of the US market, leading brand, Five flavors, 20oz glass bottle, high in calories with artificial coloring
- Arizona Iced Tea - One flavor (lemonade/tea aka “Arnold Palmer”), 24oz can
- Country Time Lemonade - One flavor, 12oz can, high in calories
- Simply Lemonade - One flavor, 13.5oz plastic bottle, natural lemon juice, high in calories
- Huberts Lemonade – all natural lemonade in a 16 oz bottle
- Lemonade is America’s second favorite juice drink
- 89% of juice drinkers consume lemonade – 36% as favorite
- 56% of all teenagers prefer lemonade in the juice category - African Americans 66%, females 61%
- 52% of all people purchase a drink contained in a glass bottles - the highest of any packaged container for a beverage The Lemonade Category in 2010 was a \$350m business, up 32% from 2009
- Simply Lemonade is the leader in the category at \$155m in sales in 2010, up 91%
- Calypso sales were up 51% to \$15m
- Tropicana Lemonade grew at 233%

The Launch of Cabana™

- Response from distributors, retailers and consumers has exceeded expectations due to superior packaging, great taste, 100% natural ingredients and lower calories than competitors – 60 calories and only 12 grams of sugar per 8 oz serving. Any beverage under 20 grams of sugar is considered a “good-for-you” beverage.
- In 2013 the Cabana™ brand is expected to reach the 3,000,000 level of case sales on an annualized basis. This is a “proof of concept” in the eyes of the major beverage companies and the brand should be an acquisition target at that point. Most emerging brands do not achieve this annualized level of sales until years three or four after launch, if ever.
- By comparison, it took New Leaf Tea and Jones Soda almost six years to reach 1,000,000 in annualized case sales.
- Based on past acquisitions of successful beverage brands, and an independent valuation of a private 3,000,000 case sale per annum brand, Pulse’s Cabana™ 100% Natural Lemonade brand would have a significant value upon reaching an annual case sale level of 3,000,000.



Differentiators:

- Pulse's goal is to create a new functional product category that is focused on providing true and meaningful health and wellness benefits in a convenient, enjoyable and good tasting format
- Proprietary formulations and scientifically effective in the recommended serving sizes as part of a daily health regimen
- PULSE® formulas include functional ingredients that are widely considered to be critical to adult health including anti-oxidants, vitamins, minerals, soluble fiber and soy isoflavones. Liposome nanotechnology to deliver non-water soluble "actives" ingredients to the body
- Cabana™ Lemonades are 100% natural, low calorie, and uniquely flavored

Pulse strategically determined to introduce its Cabana™ 100% Natural Lemonade brand ahead of the launch of its PULSE® beverages for the following reasons:

- The lemonade beverage category offered immediate opportunity due to few competitors. The leader in the category has grown at a rate of 51% over the previous year
- Lemonades are no longer considered a seasonal beverage and only one other competitor offers 100% natural ingredients
- Messaging for Cabana™ 100% Natural Lemonades is straight-forward: **"Everyone knows what lemonade is"**
- Senior management's years of establishing distributor contacts is allowing Pulse to quickly implement a strong distribution network for Cabana™ which will facilitate and expedite PULSE® brand introduction through this established network
- Pulse successfully predicted efficient Cabana™ product penetration attracting a broad demographic without requiring consumer communication

Pulse's Key Strategy - Having successfully delivered its Cabana 100% Natural Lemonade product into its "Distribution System" it will be much easier to introduce the more complex PULSE® product with functional ingredients that have been proven to promote health. In essence "Red-carpeting" the PULSE® brand into the established **Distribution System**

- Pulse has been very successful in developing an elaborate and credible product distribution system for its product offerings. What typically takes three to four years to build has taken Pulse's management just over one year to build
- Pulse's distribution system presently includes over 90 distributors serving 48 States, Canada, Mexico, Panama and Bermuda. Pulse's distribution network includes 80% class "A" distributors. Class "A" distributors are distributors that carry major beverage brands such as: Anheuser-Busch, MillerCoors, Pepsi, Coca-Cola, RC and 7-Up. These distributors provide full service product distribution at the highest level than smaller beverage distributors

* **Securing product placement for Cabana™ in 440 Walgreens stores which puts Pulse over 9,000 retail chain stores**

- Pulse's distribution system was strategically established behind the strength of its Cabana™ 100% Natural Lemonade which acceptance by distributors, retailers and consumers has exceeded expectations

PULSE® Brand Launch - Pulse has launched its Pulse® beverage brand

- Pre-marketing and now marketing with distributors is underway in conjunction with continued marketing of Cabana™ 100% Natural Lemonades and all distributors have expressed strong interest in adding Pulse® brand to their line-up
- Pulse will position Pulse® brand of functional beverages as an extension of the successful lemonade launch through the enthusiastic participation of its established and growing distribution network across the United States and internationally
- Pulse® "functional" beverage line-up requires increased educational messaging directed at beverage consumers in order to demonstrate the enhanced benefits predicted to drive sales growth. Pulse's Chief of Product Development and his team have reduced calories, increased flavor profiles and have aligned the product with hot-fill bottling processes which allows for all natural ingredients without the use of preservatives
- Educational process - Dr. Peeke, Advisory Board Member, is a keynote speaker at nutritional and sports conferences throughout the year. Pulse plans to utilize this opportunity as part of the process to educate consumers.

BIG PICTURE: IN BEVERAGES - Coca-Cola Looks for Another Billion-Dollar Brand



Coca-Cola may be ubiquitous with billion-dollar soda brands that appeal to the masses, but it's betting its next big thing could be decidedly more niche. Mary-Ann Somers, VP-strategic and operational marketing at Coca-Cola, is a leader in the company's Venturing and Emerging Brands group.

Out of 3,000 brands in the nonalcoholic category, only 33 are billion-dollar brands. Ms. Somers' group is hoping to identify and cultivate the next brand to crack the billion-dollar mark.

Emergence of new product categories

For much of the last century carbonated beverages dominated the soft drink industry. Beginning in the 1990's this began to change with the introduction of what was then styled "alternative beverages." Alternative beverages were viewed as a healthier alternative to colas and quickly gained favor with the public and the attention of manufacturers of carbonated beverages. The category continued to grow and in time contributed to the birth of a number of new categories including: sports drinks, energy drinks, energy shots and nutraceuticals;

- **Non-alcoholic beverages are among the most widely distributed food products in the world. They are sold through more than 400,000 outlets in the United States.**
- **The United States has more than 2,600 beverage companies and 500 bottlers of beverage products. Collectively they account for more than \$105 billion in annual sales. It is estimated that globally more than \$300 billion worth of non-alcoholic beverages are sold annually. The market is controlled by two giants, Coca-Cola and Pepsico: the former controls 50% of the world market, the latter 21%.**
- **Sales are projected to top \$49 billion by 2014, fueled largely by rising demand on the Asian continent and Eastern Europe.**
- **Major suppliers are re-engineering their products, reducing their caloric content and adding selected vitamins and minerals to retain the favor of consumers.**
- **Industry watchers believe that growth will be largely confined to non-carbonated beverages and will chiefly affect functional drinks, of which nutraceutical, sports, and energy drinks are expected to be the principal beneficiaries.**
- **It is common for beverage industry giants to acquire successful brands from smaller beverage companies, typically for a negotiated multiple of sales revenues .**

Pulse Beverage Corporation knows it is very common for the industry giants to acquire successful brands once they have demonstrated their success in the marketplace – and these acquisitions are oftentimes negotiated based on a multiple of sales revenue. Some examples include:

- **Vitamin Water® acquired by Coca-Cola® for \$3.4 billion**
- **Honest Tea® acquired by Coca-Cola for an undisclosed amount (reportedly more than \$400 million)**
- **SOBE® acquired by Pepsi-Cola® for a reported \$378 million**
- **FUZE® - acquired by Coca-Cola® for reported \$300 million**
- **Rock Star Energy Drink® - Coca-Cola purchased the distribution rights for an undisclosed amount and owns the right of first refusal to purchase the Rock Star Energy Drink® brand that is currently selling approximately eight million cases per year.**
- **Arizona Iced Tea® - turned down an offer from Coca-Cola® for \$2.1 billion. At the time of the offer, Arizona Iced Tea® was selling approximately 25 million cases per year and \$500m in sales.**



Should Pulse be as successful as signs point to in the launch of its PULSE® NutriPurpose™ brand, it would be expected that the Company may attract the interest of the major players in the industry.

The VEB unit of Coca-Cola has expressed to Pulse Management that the beverage industry is trending to the niche beverage products such as PULSE® NutriPurpose™! VEB has expressed that "nutraceutical" beverages that are scientifically formulated, having sufficient dosages of active ingredients to help maintain or make a difference to your health is where the beverage industry is headed.

Now, over 20 different new non-carbonated beverage category inventors/leaders have been purchased by Coke/Pepsi and other billion dollar brand conglomerates in the last 10 years alone. Generally successful brands that reach case sales in excess of one million, will garner the attention of major beverage corporations such as Coca Cola, according to industry sources.



Executive Management Team

The Strong, Experienced Pulse Management Team

Robert Yates, CEO – seasoned business executive with more than 20 years in the beverage industry. His previous distribution company generated approximately \$50 million in annual revenues and was the most successful master licensee for Clearly Canadian Beverage Corporation through much of Canada and the U.S. His distribution portfolio has included such well-known beverages as Monster Energy Drink®, AriZona® Iced Tea, Rock Star Energy Drink®, Vitamin Water®, Perrier®, Everfresh® Juices, Ocean Spray®, Miller® Beer, Honest Tea® and Fiji® Water. He successfully launched his own brand, Kwencher, which he built into a 1.7 million case brand in less than two years.

Paddy Sheya, National Sales Manager – more than 30 years of international executive sales and distribution management in the beverage industry with an extensive track record in the development of brands and building sales and distribution systems from the ground up to multi-million case sales. His notable examples are leading Clearly Canadian® from 0 to 4.8 million cases in less than three years, as he administered 125 distributors and coordinated sales program for all master distributors. He also managed Kwencher® sales from 0 to 1.7 million cases in less than two years. Other brands that he has managed in his career include Jolt Cola®, Hires Root Beer®, Crush® Soda, Bubble-Up®, Country Time Lemonade®, Hansen's Natural Sodas and Juices, New York Seltzer® and Evian Water®. He built a brand called Old San Francisco Selzer, which was the West's answer to New York Seltzer and sold this brand to Cable Car beverage Corp. He has excellent relations with major retailers such as Sam's, Wal-Mart, Target, Kroger, Costco, Walgreen's, CVS, Valero's Public's, Win Dixie, Rainbow Foods, Safeway, Albertson's, 7-11, Circle K, Smith foods, Kum-n-Go, GNC, Conoco, Whole Foods, and Vitamin Cottage and has worked extensively with major distributors across the US as well as in Canada, Mexico, Ireland and UK.

Ron Kendrick, Chief of Product Development – a beverage industry veteran of more than 30 years, Kendrick was previously with Clearly Canadian Beverage Corporation for more than 12 years where he managed supply and logistical operations during a time when Clearly Canadian sales grew from \$0 to \$178 million. He then founded Catalyst Development, Inc. and was instrumental in the creation of beverage formulations for many companies, including the PULSE® products for Baxter Healthcare.

Robert Watkins – VP and Eastern Sales Manager – brings more than 27 years of international executive sales and distribution management experience in the beverage industry. He has a proven record in the development of brands and in building beverage brand sales and distribution systems from the ground up to multi-million case sales. He was national and international sales manager for Bai Brands throughout the East Coast and Midwest, Dubai and the Caribbean from 2007 to 2010; he also served as operations and international business manager for New Leaf Teas in the mid-south and the Caribbean and was previously on-premise sales manager for Red Bull NA and served as district manager and marketing/merchandising manager for Oak Beverages in the NYC market.

PLSB

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