



May 09, 2013

Sectors:

Nutraceutical & Functional Water

Industry:

Non-carbonated Beverages

Symbol:	PLSB
Price:	\$1.39
Shares Out:	51.2m
Float:	30.48m
Market Cap:	71.2m
Cash:	3.9 m
Debt:	Zero
Qtrly Revenue Growth (yoy):	119%
Shareholders	~ 3,000
Average Volume:	67,759 (30-day)
52-Week High:	\$1.48
52-Week Low:	\$.43

Pulse Beverage Corporation

The Pulse Beverage Corporation (“PLSB” or “Pulse” or the “Company”) 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 developed two beverage products: Cabana™ 100% Natural Lemonade and PULSE® brand of functional beverages and currently produces, markets, sells and distributes these brands through a diverse regional and international distribution system. The PULSE® brand is unique in that this product was originally developed by a major healthcare corporation to be scientifically effective and contains REAL nutritional ingredients.



PLSB completed the product formulations and packaging design for its initial product, Cabana™ 100% Natural Lemonade in 2011 and has recently completed the redesign and up-graded flavor profiles for its flagship PULSE® brand of functional beverages in three health platforms.

Pulse’s management team has built a nation-wide diverse distribution system of over 90 distributors, servicing 43 States, Canada, Panama, Bermuda and Mexico.

PLSB’s management team believes the key to a successful beverage company is its ability to develop a critical mass nationwide diverse distribution system. PLSB’s distribution network includes over 80% Class “A” distributors such as United Natural Foods, Inc. and distributors for Anheuser Busch, Miller Coors, Pepsi, Coca-Cola and RC/7-Up and Cadbury Schweppes. PLSB’s management have strong relationships with distributors and buyers who supply thousands of retail outlets, supermarkets and convenience stores. Now that “critical mass” of distributors has been established, PLSB could then secure listings for Cabana™ with large regional and national grocery and convenience store chains, resulting in approved listings, to date, totaling over 12,500 retail outlets. PLSB expects to add another 7,500 listings during the remainder of 2013, based on discussions they currently have underway.

PLSB has increased number of regional and national grocery and convenience chain store listings for product placement for its Cabana™ 100% Natural Lemonade to include: 440 Walgreens stores, 1,500 Safeway stores operating under the brands: Safeway Food and Drug, Vons Food and Drug, Dominick’s Finer Foods, Carrs-Safeway, Albertsons, Food City, Pavilion, Pak’n Save, and Randall’s Food Markets. Sprouts, a national 150 store grocery store chain; Sobeys Stores -- a 150 grocery store chain located in Western Canada; Loaf N’ Jug -- a 178 store, 5 state C-Store chain; Bradley Convenience Stores -- 60 stores located in 3 states; Bristol Farms Stores -- 15 grocery stores located in California; Homeland Grocery -- 44 grocery and C-stores located in Oklahoma; Whole Foods Division -- located in Utah; Holiday Station stores -- 225 stores located in Minnesota and Wisconsin .

PLSB



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Key Investment Highlights

- **Pulse has free and clear ownership of the formulations, rights and trademarks relating to the PULSE® brand of functional beverages including the right to use the following Side-Panel Statement for PULSE® Heart Health Formula™, PULSE® Women's Health Formula™, PULSE® Men's Health Formula™: "Formulation developed under license from BAXTER HEALTHCARE CORPORATION". This right is in perpetuity without royalties**
- **Scientifically developed PULSE® brand has had in excess of \$10 million spent on product formulation and extensive and successful test marketing**
- **Pulse has included liposome nano-dispersion technology that introduces the ingredients into the beverage in a format that allows the body to absorb the nutrients**
- **Pulse has product bottling contracts with three co-packers in strategic locations: Portland, Oregon, Marion, Virginia and Dallas, Texas**
- **Seasoned management team each having 25+ years in the beverage industry with proven track records**
- **Pulse is in the process of introducing the PULSE® brand into the already established, diverse distribution system**
- **PLSB expects Cabana™ to reach the annualized one million case threshold by the end of Q2-2013**
- **PULSE® brand of functional beverages will attain the annualized one million case threshold by the end of Q3-2014**
- **Pulse has ZERO DEBT**
- **Pulse has approximately \$3.9 million in cash and approximately \$4.8 million in working capital and a working capital ratio in excess of 20 to 1**
- **PLSB will for sure UPLIST to NASDAQ in 2013...that will help gain a whole new list of institutional investors**
- **Venturing and Emerging Brands ("VEB") unit of Coca-Cola's has expressed interest in the PULSE® brand**

PLSB seems to be in a sweet spot in the beverage market due to its focus on beverages containing functional ingredients that have shown to promote health. Coca-Cola has stated that it is searching for another billion dollar brand, and is betting that the next big beverage will be a niche product. They have expressed to the Company that the beverage industry is trending toward niche beverages such as PULSE®.

Prominent Industry Acquisitions:

It is common for beverage industry giants to acquire successful brands from smaller beverage companies, typically for a negotiated multiple of sales revenues. **Some notable acquisitions are:**

- **Vitamin Water®** - Coca-Cola® purchased the brand that was selling about ten million cases per year (\$200 million in sales) for a reported \$3.4 billion. The Vitamin Water® brand presently has a Class Action lawsuit against it for making false and misleading claims as to the health benefits of the product.
- **Honest Tea®** - Coca-Cola® recently purchased for an undisclosed amount in a private transaction (reportedly over \$400 million) at a time when Honest Tea® was selling a reported 1.4 million cases of product.
- **SOBE®** - Pepsi-Cola® purchased SOBE® for a reported \$378 million when they were selling approximately 3 million cases per year and had approximately \$60m in sales.
- **FUZE®** - Coca-Cola® purchased FUZE® for a reported \$300 million when FUZE®, at the time, was selling approximately 7 million cases per year and had approximately \$140m in sales.
- **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 which is currently selling approximately 8 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.

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 Coca-Cola's VEB unit. 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 \$125 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%.**
- **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.**

Now, Coca-Cola/Pepsi and other billion dollar brand conglomerates have purchased over 20 different new non-carbonated beverage category inventors/leaders 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 according to industry sources.

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

Now that Pulse has begun the introduction of its PULSE® brand, it could be expected that the Company may attract the interest of the major players in the industry.

Global Soft Drink Industry

The Group of Eight (Canada, France, Germany, Italy, Japan, Russia, the UK and the US) generated almost \$305 billion in soft drinks sales in 2012, according to MarketLine's industry report. The group's global soft drink industry is predicted to hit almost \$310 billion in 2015. The US leads the group with a near 44% share in the market, generating almost \$125 billion in sales. In 2015, the US soft drinks market is predicted to exceed \$132 billion.

The soft drink industry spans sparkling drinks, concentrates, juices, bottled water, smoothies, ready-to-drink tea and coffee, and functional drinks. They are generally made on a still or carbonated water base with added flavors and sweeteners, and sometimes fruit juices or caffeine.

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: nutraceuticals, sports and energy drinks are expected to be the principal beneficiaries).



The Market

The targeted demographics for PULSE® 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 are 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.



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 Lemonade is straightforward: "Everyone knows what lemonade is."**
- **Senior management's years of establishing distributor contacts is allowing Pulse to quickly implement a diverse distribution network for Cabana™ which will facilitate and expedite PULSE® brand introduction through this established diverse network.**
- **PLSB successfully predicted efficient Cabana™ product penetration attracting a broad demographic without requiring consumer communication.**

Uniquely Positioned

PLSB has uniquely positioned itself to launch PULSE® given its knowledge and history in nutrition, and its experience in manufacturing and distribution. The PULSE® brand of functional beverages addresses key nutritional needs of people of all ages but specifically for people who want to feel young and youthful for the rest of their lives. The entry of PULSE® 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® brand of functional beverages are unique in that they were developed under license by a major healthcare company to be scientifically effective per the recommended servings and contain ingredients that are widely considered to support adult health.





Product Overview PULSE®

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 nano-dispersion technology 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® may be the only niche beverage line that has sufficient dosages of active functional ingredients to help maintain health.

The PULSE® brand is presently comprised of three nutritional beverages in three functional health platforms:

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™

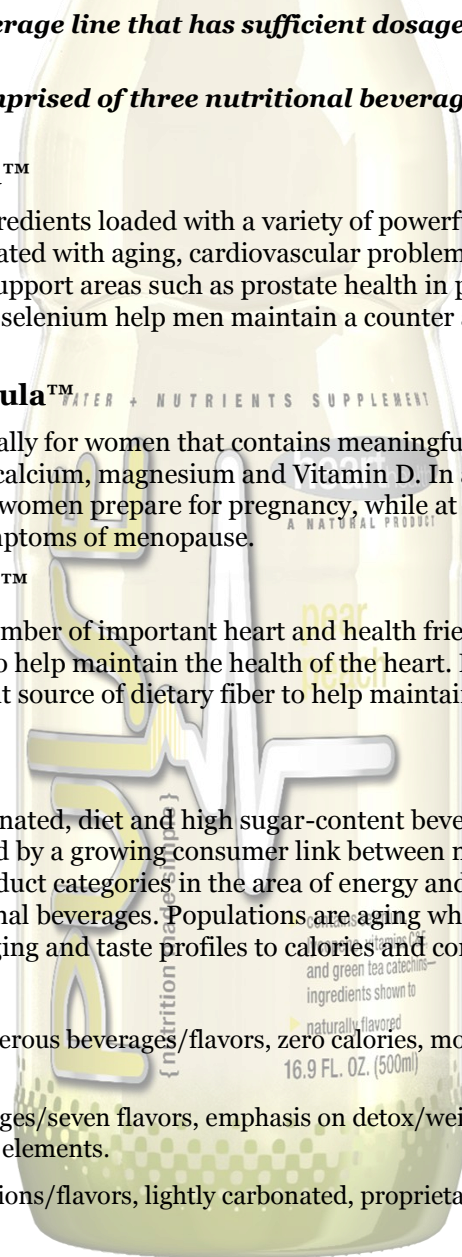
Contains safe and effective levels of a number of important heart and health friendly nutrients such as Vitamin C and selenium, both of which are important to help maintain the health of the heart. Pulse® Heart Health Formula™ is a great tasting beverage that is an excellent source of dietary fiber to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

Market Environment

There is a societal shift away from carbonated, diet and high sugar-content beverages that contain artificial sweeteners and preservatives. PULSE® is supported by a growing consumer link between nutrition and wellness in convenient solutions. There is an emergence of new product categories in the area of energy and sports drinks, teas, juices, flavored waters, lemonades and functional/nutritional beverages. Populations are aging which influences the food and beverage industry, affecting everything from packaging and taste profiles to calories and contents .

Competitive Landscape

- **Glaceau Vitamin Water®** - Numerous beverages/flavors, zero calories, mostly trace amounts of vitamins and elements.
- **Function ® Drinks** - Three beverages/seven flavors, emphasis on detox/weight loss/energy, various antioxidants, mostly trace amounts of vitamins and elements.
- **Neuro®** - Eight beverages/formulations/flavors, lightly carbonated, proprietary blends and vitamins, small amounts of vitamins and elements.
- **POM Wonderful®** - pomegranate based beverage with claims to have heart and other health benefits – FDA has requested they remove those claims from their labels.





Cabana™ 100% Natural Lemonades

Refreshing, all-natural, “good-for-you”, ready-to-drink lemonades in six distinct and great tasting flavors including: Tropical Mango, Strawberry, Cherry, Blueberry, 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 Cabana™ after recognizing the opportunity in the all-natural lemonade beverage category. There are few competitors and the leader in the field 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.

Competitors:

- **Simply Lemonade®** - one flavor in a 13.5oz plastic bottle using natural lemon juice and high in calories.
- **Calypso®** – many flavors, 20oz glass bottle, artificial coloring, high in calories, artificial sweeteners.
- **Arizona® Iced Tea** – a lemonade/tea known as “Arnold Palmer” in a 24oz can
- **Country Time Lemonade®** - One flavor in a 12oz can, high in calories
- **Hubert’s Lemonade®** – all natural lemonade in a 16oz glass bottle

Lemonade Industry:

- **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 consumers purchase a drink contained in a glass bottle - the highest of any packaged container for a beverage**
- **The lemonade category in 2012 was a \$395m business, up 39.7% from 2009**



Coca-Cola, maker of the Minute Maid and Simply brands, is using its balance sheet and distribution reach to methodically build a global juice and non-soda machine. That includes the U.S., Coke’s largest market, accounting for one-third of its volume sold. PepsiCo (PEP), led by its Tropicana brand, commands a 40 percent volume share of the \$4.6 billion U.S. market for not-from-concentrate juices, compared with 28 percent for Coke, according to Euromonitor. Globally, the market researcher says, Coke gets about \$13 billion in revenue annually from pure juice and juice drinks. “You see them focusing on still beverages because that’s been outgrowing sparkling drinks for several years now,” says Thomas Mullarkey, an analyst for Morningstar in Chicago.

Competitive Differentiators

Nationally, only a handful of companies market ready-to-drink lemonades and there is only one other major brand containing all natural ingredients: Hubert’s Lemonade® in a smaller 16oz glass bottle. Cabana™ has competitive advantages over existing lemonade brands as follows: Cabana™ is offered in a large format 20oz glass bottle, has 55 calories per 8oz. serving compared to over 100 calories in most competitors and is made of 100% all natural ingredients. The fact that Cabana™ contains no preservatives or artificial sweeteners means that it can be sold in health food stores such as Whole Foods, GNC Live Well, Vitamin Cottage and Sunflower.

Cabana™ is expected to reach the 1,000,000 level of case sales on an annualized basis by the end of Q2-2013. 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 brand, Pulse’s Cabana™ 100% Natural Lemonade brand would have a significant value upon reaching an annual case sale level of 1,000,000.

The Strong, Experienced Pulse Management Team

Robert Yates,

CEO

Mr. Robert Yates is a 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,

VP and National Sales Manager

Mr. Paddy Sheya has 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

Mr. Robert Kendrick is 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.

PLSB

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