

THE SPORTS POUCH BEVERAGE COMPANY INC. (OTC PK:SPBV)

Michael Grobler, CFA
Romark7@aol.com
(917) 345 9894

Website: <http://www.sportspouchinc.com>
Exchange(s): US-OTC Pink Sheets
Contact: ir@sportspouchinc.com

Recent Price: **\$0.0600**
Target Price: **\$0.4000**

SPECULATIVE NEUTRAL RATING

Innovative Packaging to Revolutionize the Drink Industry

Company Overview

The Sports Pouch Beverage Company, Inc. (OTC:PK - SPBV) was established for the specific purpose of producing pull-push spout technology liquid pouch packaging as well as utilizing this technology for the development and production of new beverage brands. Sports Pouch Beverage Company, Inc. is the holder of the trademarked name "All American Sports Pouch" and has a "Process Pending Patent" for the Sports Pouch Beverage package with pull-push spout.

Main Headquarters

The Sports Pouch Beverage Company, Incorporated
#250 Airport Circle
Corona, CA 92880
United States of America
Tel: (888) 597 8308



The Sports Pouch Beverage Company (all figures in Millions)	
52 Week Hi/Lo Range	0.18/0.01
Fiscal Year End	31-Dec
Shares Outstanding	30.0
Float (approximately)	6.0
Share price (09/01/2006)	0.06
Market Capitalization	1.8
Average Volume (3 months)	NA
Insider Ownership	NA
Institutional Ownership	NA
Enterprise Value (EV)	NA
Long Term Debt	NA
Total Cash	NA
12/31/2006 12/31/2007	
FY2006 E FY2007 E	
Earnings Per Share (EPS)	0.007 0.030
Book Value (\$/share)	
FY2006 E FY2007 E	
Total Revenue	1.000 7.000
Cost of Sales	
Gross Profit/Loss	
Operating expenditures	
Income/Loss from Operations	
Net Interest Expense	
Tax Items	
Net Income	0.210 1.500
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates	
Balance Sheet & Financial Statement Extracts	
Current Assets	
Current Liabilities	
Total Assets	
Total Shareholders Equity/Deficit	

- The "pull-push" spout system and fill process is patented by SPBV.
- The advantage the pull-push pouch system has over its competitors is that **the pouch can be closed and reopened and it does not need an external device to obtain the beverage**, i.e., straw can/bottle opener, etc.
- The company has recently received **approval from two major national retailers** to develop a line of private label fruit flavored drinks for the **single serve aseptic juice sector**.
- SPBV is selling into an **already established \$1 billion segment of the beverage market**. Even if SPBV captures only a small percentage of this large industry, it will result in big profits for SPBV. SPBV has already started shipping product to **Smart and Final**, a nationwide wholesale chain.
- The single serve juice, isotonic drink, and fruit blend flavor category, has been showing double-digit percent growth for the past 4 years. The market **surpassed the three billion in unit volume sales** on a nationwide basis in 2005. The company intends to be a contributing factor and also capitalize on this enduring growth trend.
- The company has a **distinct competitive advantage** over **Capri Sun, Minute Maid, Kool Aid, Hi c, Disney, Libby's, and Tree Top** with their packaging.
- With an initial production capability of **5000 cases daily**, SPBV's initial geographic market area will be southern California and southern Nevada (Clark County). In the medium term, as the marketplace accepts SPBV's beverage with its pull-push pouch packaging technology, the marketing will be **expanded to include all of the United States, Mexico, Canada, and Central-South America**.
- The ability of SPBV to generate sales of the pull-push pouch packaging **to existing beverage manufacturers**, can be achieved through **co-packing agreements**.
- SPBV has not released audited or un-audited financial statements to shareholders, nor has it made any SEC filings containing financial results or filed Form 211 with the NASD in accordance with Rule 15c2-11. As such it becomes more challenging to gauge performance and conduct a valuation. Given management comments and news releases we estimate that SPBV can **generate revenues of close to \$1 million in FY2006 and between \$7 and \$10 million in FY2007** as a result of recent announcements is likely to **bolster** revenue growth. Under certain assumptions on the current cost structure and these revenue projections, we believe FY2007 the **net income figure** of SPBV falling in a **range of \$1.5 to \$1.8 million** is quite feasible.
- **SPBV foresees being one of the leaders in flexible pouch beverage packaging in the USA by 2008. We believe that the company should be valued using a multiple of earnings or multiple of sales approach. Using the low-end of our FY2007 revenue estimate range and applying a 20.6x P/E ratio, which is taken as a benchmark from fellow soft-drink beverage stocks, we arrive at a market valuation of roughly \$12 million or 40c per share, which is our 12-month target price under the assumption that these revenues and earnings milestones are achieved. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 8-10).**

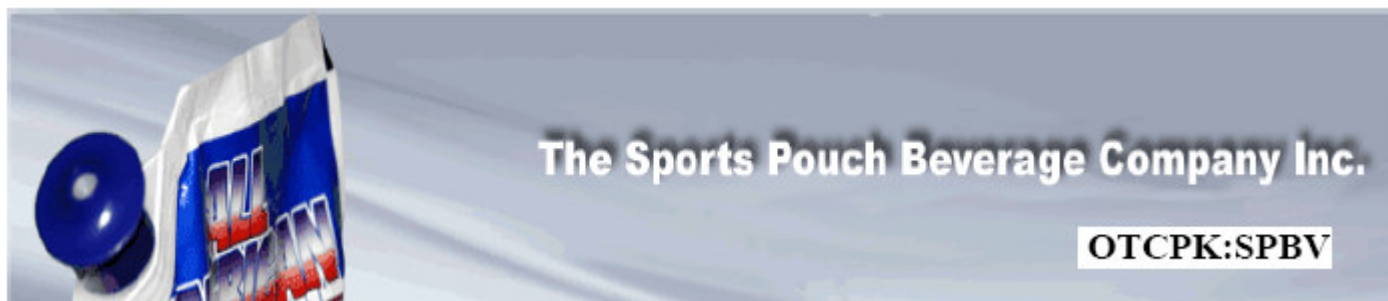
THE COMPANY

The Sports Pouch Beverage Company, Inc., (**OTC PK: SPBV**) is a company that is incorporated in the state of California. Formerly known as Construction products International Inc. the company changed its name and nature of business in October 2004 and the two entities completed a merger on November 8, 2004. Though the product tastes good, Sports Pouch's **true advantage lies in its packaging**. Where the consumer is frustrated with opening a pouch beverage (i.e., **Capri Sun**), Sports Pouch comes with a pull-push spout that reseals its container.

The pull-push spout pouch technology is an innovative design packaging system that SPBV owns. This technology eliminates consumer use problems; i.e., **difficulty and spillage when opening**, loss of straw resulting in an inability to use the pouch resulting in **unnecessary wastage** and **inability to reseal** the beverage pouch.

Customer surveys taken in Southern California have indicated strong consumer demand for a new aseptic beverage fortified with vitamins and minerals. With automated beverage filling equipment and spout technology controlled by Sports Pouch Beverage Company, Inc., the company is in position to **serve the marketplace both as a manufacturer and a co-packer**, and more importantly from a shareholder perspective **use its proprietary drinks packaging patent** to provide consumer friendly beverages at a **competitive price with attractive profitability**.

With the combination of next generation pouch packaging technology, co-packing manufacturing, new brand beverage line and established beverage distribution contacts, Sports Pouch Company, Inc. is positioned to provide the marketplace with advance beverage pouch packaging and a new brand beverage at competitive pricing while allowing for striking profit margins and unyielding growth potential.



MANUFACTURING OPERATIONS

Production Capabilities

The beverage pouch package filling activity will be performed at an established beverage co-packer facility in Corona, California.

Technology for the pull-push pouch consists of a patent spout die and use of a **Bossar flat pout machine**. The company has an agreement with the manufacture to have **the right of first refusal** for the shipment of this type of machine to the United States of America or Mexico.

In addition to the filling machine, case erector, case filler and bundler equipment will be used in the manufacturing process. This equipment can also be used in a co-packer configuration, should the company elect to co-pack beverages for other manufacturers. The co-packer provides labor for the manufacturing process, except for a machine operator. Manufacturing supplies are based upon production activity. Product package artwork, box plates and film plates are fixed expenses provided by the company. Shipping and transportation activities are the responsibility of the distributor/broker. Manufacturing for fulfillment of each month's sales will occur the month before the projected sale.

With an initial production capability of 5,000 cases daily, Sports Pouch's initial geographic market area will be southern California and southern Nevada (Clark County). In the medium term the company intends to expand into new areas, as the marketplace accepts this beverage with its pull-push pouch packaging technology. Such geographic expansion plans include all of the United States, Mexico, Canada, and Central-South America.

See Appendix A-1 for Analyst Certification and Important Disclosures.

Sports Pouch Beverage Company Inc. signed an agreement with Nationwide Beverage Bottling, Inc. to be the exclusive provider of its push-pull spout beverage pouch packaging in December 2004. Nationwide Beverage Bottling, Inc. is the largest independent bottling company on the west coast. Sport Pouch Beverage Company, Inc.'s equipment is located at the Nationwide Beverage Bottling, Inc.'s 158,000 sq. ft. bottling facility, located in Corona CA. Under the terms of the agreement, SPBV works with Nationwide to develop the next generation of pouch packaging that integrates its push-pull technology. SPBV did not disclose the financial terms of the agreement; but it is estimated that the approximate capacity of each machine is to form and fill up to 25 million units per year.

Sports Pouch Beverage Co., Inc. and Nationwide Beverage Bottling have further agreed to add an additional four pouch forming/packaging machines at this facility that commenced production in 2005. The collaboration with Nationwide Beverage Bottling Inc. is highly beneficial to SPBV as its system is flexible and Nationwide also offers Sports Pouch several options that enable them to package their products both environmentally friendly and cost effectively.

INDUSTRY & STRATEGY

Convenience needs are driving consumers to constantly seek out more efficient and effective products that can help facilitate multi-tasking and fulfill desires to maximize leisure time. **Anything offering ease is becoming luxurious** and this has significant implications for on-the-go consumption: the snacking market value rose to reach US\$161 billion across the US and Europe in 2005.

The number of on-the-go eating occasions in Europe is forecast to increase from 103 billion in 2005 to 113 billion in 2010. The growth rate in the US, where on-the-go consumption is more established than in Europe, will continue with the number of **occasions** forecast to increase from **126 billion in 2005 to 140 billion in 2010. Consumers' propensity to drink on-the-go is also higher than it is to eat on-the-go.** These trends and data were taken from a report titled: New Trends in Snacking & Drinking On-the-Go, published by the market research firm **Datamonitor** on December 20, 2005.

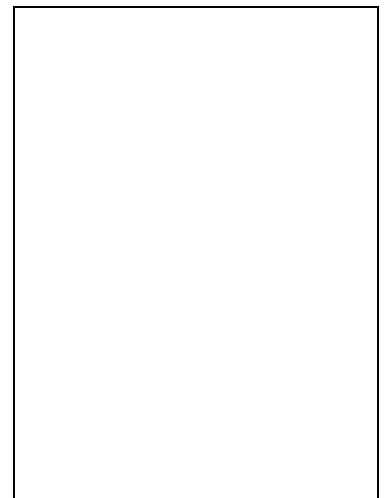
Sports Pouch Beverage Company, Inc. sells a new brand beverage product primarily to **grocery and food/beverage distributor wholesalers**. The company intends broadening its drink offerings in the coming months. The geographic market area that is initially targeted includes grocery and food/beverage distribution entities in Southern California and Southern Nevada (Clark County). With marketplace acceptance of this new beverage pull-push pouch packaging technology, the market potential includes all of the United States of America, Mexico, Canada, and Central-South America. Although the ultimate customer of the product is the retail consumer, sales distribution will occur through grocery and food/beverage distributors that will enable the company to **bypass heavy infrastructure and unnecessary marketing costs**. The product distribution systems could expand beyond commercial distribution entities to include direct sales to the federal/state governments and other beverage distribution networks.

The advantage the pull-push pouch system has over its competitors is that **the pouch can be closed and reopened and it does not need an external device to obtain the beverage**, i.e., straw can/bottle opener, etc. Beverage companies that compete with the pull-push pouch technology are **entities that use straw-and-pouch and tetra pack packaging**, i.e., **Capri Sun, Minute Maid, Kool Aid, Hi C, Tang, Disney, Libby's, Tree Top**, et cetera.

Management of the company has substantial experience with the food/beverage distributors and has a successful track record, having worked within this industry for several decades. The sales and distribution plan is to utilize existing grocery and food/beverage industry distribution systems. Established grocery brokers will be used to sell and distribute the beverage to specific retail outlets in a specific timeframe. Sales of pull-push pouch packaging to existing beverage manufacturers can be achieved through **co-packing agreements** with these beverage manufacturers.

REVENUE PROJECTIONS & OUTLOOK

The following sales projections are based upon sales of a new brand beverage. These projections do not include incremental sales, i.e., co-packing, military, schools, hospitals, state and local government and others. The sales projections are based upon an **industry standard of 2.5 cases sold per day of operation**. The 2.5 case sales ratio is calculated using 3% of the overall aseptic single serve juice category volume sales in the state of California for the most recent twelve month period. **Three juice flavors have been introduced into the marketplace.** Retailers impose an authorization (slotting) fee, ranging from \$10 to \$30,000 per sku. As acceptance of each flavor juice will vary in time, the following sales projections are based upon the total number of cases sold, rather than upon juice flavor cases sold.



During 2004 and 2005, actual sales by juice flavor were recorded. Sales projects for 2006 and 2007 have been made based upon juice flavors cases sold in the foregoing calendar year period. Since the slotting expense will be incurred at various points in time in during 2004 to 2006, it is anticipated the slotting fee expense will be charged and placed into a reserve account during the first month a retailer places an order. By industry custom, the slotting fee is usually deducted by the retailer from the amount owed in the initial purchase invoice. At that time, the reserve account will be charged for the slotting fee.

The following 2006-2007 sales projection are listed by the retailer classification:

- Cash and Carry: Smart & Final, Jetro.
- Major Chain Retailers: Stater Brothers, Food 4 Less, Albertson's (southern and northern California), Ralph's, Vons, Safeway, Raley's.
- Major Independents: Super A, Superior Warehouse, Cardineres, KV Mart, Big A, Sav-U-Foods, Jons, 32nd Street, North Gate, Save Mart, Food 4 Less (independents).
- Unified Grocers (formerly known as Certified Grocers): All single operated supermarkets/food stores with membership in excess of 3,000 stores.
- Distributors: Beverage and general.

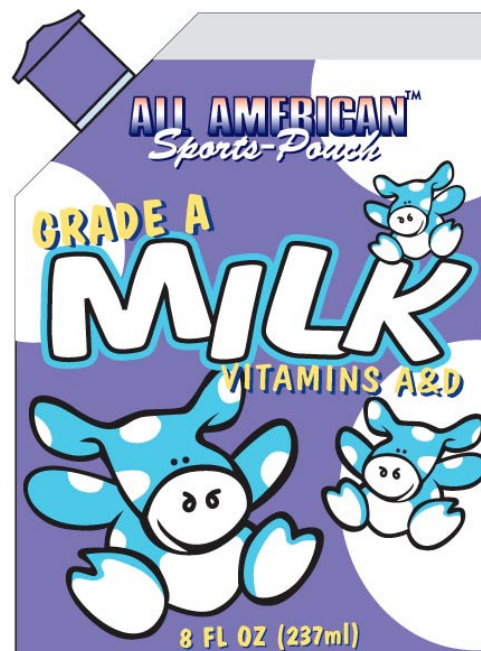
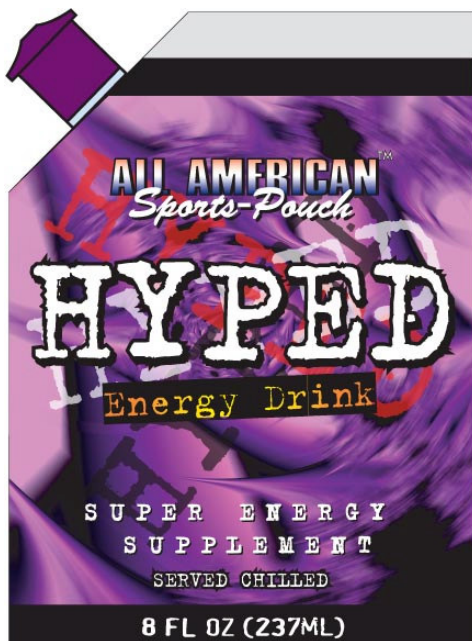


The initial sales projections were very conservative due to the start-up nature of the beverage brand. The sales projections for 2007 are based upon the beverage brand having achieved brand awareness. Therefore, the pattern of volume sales projections increases during the second half of 2006 and during 2007. A retailer's initial order is listed in bold numbers. These orders qualify for a 10% introduction allowance. Subsequent orders do not have this price discount.

On June 29, 2006, Sports Pouch Beverage Company, Inc. confirmed that the Californian warehouse store, Smart & Final Inc., placed additional orders of All American Mountain Spring Water™, after its initial trial period using SPBV packaging. Smart & Final continues to reorder and as at this date the SPBV had shipped 7 truckloads in total to Smart & Final. At this critical stage in SPBV's growth, these orders are a real validation that its proprietary packaging is generating consistent retail sales within its category. Smart & Final clearly recognizes the benefits of this unique packaging, and have requested that the company develops new lines of private label drink products specifically for them. Smart & Final Inc. operates 249 non-membership warehouse stores for food and foodservice supplies in California, Oregon, Washington, Arizona, Nevada, Idaho, and northwestern Mexico, which bodes, well for building brand awareness through this already well-established distribution network.

On August 22, 2006 the company announced a major end-of-summer sales promotion with Smart and Final, Inc. for the company's 'All American Mountain Spring Water™' Packaged in a unique, flexible pouch, the patent protected, re-sealable, pull-push spout and attractively designed products have achieved consistent and expanding sales. The company expects this promotion to **help drive fourth quarter revenue, and anticipates additional orders based on its one of a kind packaging for water, isotonic, and juices** from a number of other major retail outlets. The company is currently experiencing a significant increase in sales of its product. Its packaging system is the ideal single serve drink receptacle (no straws, no spills, or CRV costs). Management has even greater expectations for FY2007 when the company will expand sales beyond the West Coast. The company is presently negotiating an exclusive marketing and sales agreement with an established food and beverage company to develop and offer a variety of new items, utilizing our unique, one of a kind technology, for major retail outlets and club stores nationwide.

Management of Sports Pouch and Beverage Company, Inc. has long understood the enormous potential its product has. The company has put great effort into selecting products, marketers and fulfillment processors in order to create the right opportunities. SPBV foresees being one of the leaders in flexible pouch beverage packaging in the USA by 2008.



COMPETITIVE POSITION

Though Sports Pouch has a terrific product and important industry contacts selling into a \$1.0 billion segment of the beverage market, its unique packaging gives it a truly overwhelming competitive advantage.

The most important competitors, **Capri Sun, Minute Maid, Kool Aid, Hi C, Disney, Libby's, and Tree Top**, all place and market their drinks into a "straw and pouch" packages. This form of packaging has several drawbacks for consumers:

- Frequently, it is difficult to insert the straw into the package without spillage.
- Straws for each drink are not always attached to each individual package. It's frustrating and wasteful when only 6 or 7 straws are attached on an 8 pack of drinks.
- If the straw is lost while drinking, you are unable to finish the beverage. You can't reseal the package and leave it for several hours to finish it later.

Using Sports Pouch's patented "pull-push" spout system, these problems become something of the past. These spouts look much like the spouts used to reseal bottled water. Water typically is enclosed in plastic, hard framed bottles and comes in larger sizes (typically 16 ozs). Sports Pouch's juices come in the traditional juice sized 6.75 oz package, the correct size for a child's drink. The resealing technology creates a much more user-friendly package. The consumer can easily close and re-open the pouch container while also not requiring an external device, the straw, to drink the beverage.

FINANCIAL STATEMENTS

The company **has not published or released any audited or un-audited financial results to date or made any SEC filings**, which restricts our ability to assess the financial health and performance of the company, and limits our ability to make more informed and reliable forecasts about future prospects on margins, sales and profitability. The company has a December 31st year-end date.

The absence of financial data plays a vital role in setting and selection of our investment rating. Due to our ratings and selection criteria, companies that have not provided financial information are unable to be classified in a category higher than SPECULATIVE NEUTRAL RATING, irrespective of other possible overriding bullish factors that may influence or justify a higher rating.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

Liquidity and Capital Resources

No information was readily available to enable us to review the cash and cash equivalent position of the company at the time of writing of this report. It is uncertain if the **company has sufficient resources and is covered to conduct its operational and/or expansion plans and finance further acquisitions earmarked in the coming year. It is likely that acquisitions will be equity for equity based with a smaller cash component needed to close one or more of the acquisitions. However we believe** management will manage the existing resources in a prudent fashion, to maximize its development and technology efforts in the best possible way to manage shareholder capital. The company is in discussion with several investment banks to raise further capital needed to reach its medium and long-term goals.

RISK FACTORS / CONCERNS

The longer-term consistency of revenues and profit potential, remain uncertain and the future operating results may continue to fluctuate. The company's ability to execute against its stated business model is not yet fully proven. There can be no assurance that the company will be able to generate increased revenues through co-packing agreements and other revenues related to its proprietary packaging technology. SPBV may experience cash flow or liquidity issues as it continues to develop and market its business. If cash generated by operations is insufficient to satisfy the company's liquidity requirements, the company may be required to sell additional equity or debt securities.

The company has **heavy reliance on key executives**, the loss of which could have adverse results. The company has produced only a small quantity of products and is dependent upon only a few product lines and on the development and commercialization and introduction of new products. SPBV is also **dependent on independent distributors**, which could affect its ability to efficiently and profitably distribute and market its products and expand its business into other geographic markets. The company may need to alter its current agreements with its distributors, and may incur significant time and expense in attracting and maintaining key distributors.

See Appendix A-1 for Analyst Certification and Important Disclosures.

SPBV faces an **inherent risk of exposure to product liability claims** if the use of its proposed products results in illness or injury. If the company does not have adequate insurance or contractual indemnification from its manufacturers, product liability claims could have a material adverse effect on its business. Manufacturers and distributors of consumer drink products and are often named as defendants in product liability lawsuits. The company **is highly dependent upon consumer perception of the safety, quality and other benefits of its products**. As a result, substantial negative publicity concerning a specific drink product or the packaging of such drink or of products seen to be similar to the company's products could lead to a loss of consumer confidence in its products, removal of those products from retail shelves and reduced sales and prices. Reliance on laws covering trademark rights, U.S. federal registration rights and trade secret laws to protect its product formulations may not be sufficient to protect this intellectual property and could have a material adverse effect on its competitive position. Ingredients and raw materials used in fabricating products may be subject to delays, limited availability due to manufacturing downtime or other conditions. Such developments can result in uncertain costs resulting from shortages that can negatively impact on financial results.

The food and beverage industries are subject to changing consumer trends, demands and preferences. Failure of the company to anticipate, identify or react to changes in these trends could lead, among other things, to reduced demand and price reductions. SPBV is **principally dependent on the expertise of its management team** and dedicated employees, the loss of which could materially adversely affect future anticipated operating and financial results.

The current liquidity and financial information are not presently disclosed. The current cash position is likely insufficient to fund acquisitions, and if insufficient operating cashflow is generated in FY2006 it may hurt or limit the company's expansion plans. Despite the positive sales trends and strong demand signal seen in recent months for SPBV's offerings, competition remains fiercely competitive, and SPBV faces opposition from larger and better-funded rivals. Increased competition could result in revenue goals not being achieved and lower penetration of target markets that will defer nationwide expansion plans, fewer shipments, reduced revenues and margins, any of which could materially and adversely affect The Sports Pouch Beverage Company, Inc. business, financial condition and results of operations.

SPBV does not foresee any regulatory changes on packaging and the US consumer drink market that could adversely affect the products/services they intend to provide. **The business of SPBV is a function of the level of consumer spending in the economy and could also be affected by the average temperature and level of humidity during the summer months when consumers generally consume more beverages.** Interest rate shocks or sharp unforeseen slowdown in the overall economy, a steep decline or erosion in consumer confidence can lead to lower consumption and weak demand for beverages and hence weak revenues for the company.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of SPBV shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the low liquidity and daily trading volume**. **We caution that historical volume activity on SPBV has been erratic, but we are unable to forecast the direction of trading volume with any degree of certainty in the future.** Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants (should they exist) are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market. In the event that such holders of preferred stock, warrants and options exercise their conversion rights, the holders of the common Stock then issued and outstanding may experience immediate and substantial dilution in the net tangible book value of their shares if earnings and other factors do not compensate for the increased number of shares of such common stock.

SPBV's common stock is listed on the OTC Pink Sheets. NASD and SEC Regulations covering rules on Penny Stocks apply for SPBV, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors are likely to be contained in future **SEC filings or SB-2 Offering Prospectus**.

MANAGEMENT TEAM

The senior management team at The Sports Pouch Beverage Company, Inc. consists of seasoned professionals with extensive experience in business development, management, and operations.

Gilbert Arvizu – President & CEO

Mr. Arvizu is a long-time food and beverage broker operating his own company, G.T.E Food Brokers, from 1978-1988. During these ten years, Gil helped launch Tina's brand of frozen burritos and Mexican entrees, Grande Foods and Michael Angelo's frozen Italian entrees into brands producing over \$100 million in annual sales. In 1988, he sold his company to CBBH, one of the largest food brokerage firms in California, and joined them as a group Vice President responsible for Meat, Deli, Service Deli and frozen categories.

See Appendix A-1 for Analyst Certification and Important Disclosures.

In 1995, he was directly responsible for introducing a full line of Green Burrito brand, high-end burritos, to the Southern California retail food chains and achieved 80% authorization in only six months.

For the past three years, he has been consulting food manufactures and chain restaurants on restructuring their sales forces and introducing new items into the retail food chains. Most exciting, he has now developed a new innovative packaging concept for the pourable beverage industry and founded Sports Pouch Beverage Company, Inc.

Daniel Pritikin – Chief Operating Officer (COO)

He has been involved for many years in the packaging industry as co-owner of Delta Packaging Products, Inc. Delta specializes in supplying clients with unique packaging solutions.

Bruno Haro – Plant Manager

He is a specialist in high volume food manufacturing equipment. His previous tenure was with Ready-Pak, the nation's largest pre-packaged salad producer.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that The Sports Pouch Beverage Company, Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on fast growing segment of the single serve soft drink market. The juice, isotonic drink, and fruit blend flavor category, has been showing double-digit percent growth for since 2000 and this is where the initial focus of SPBV will be, namely to launch products and break into this fragment of the beverage industry. The investor enjoys the added benefit of being able to partake in an opportunity to invest in a company that has taken the preliminary steps to lay firm foundations for what appears to be rapid growth ahead. Moreover, the company has distinguished itself from its rivals by creation of a competitive edge via its unique proprietary packaging system that has the ability to revolutionize the drinks industry by offering a user-friendlier receptacle that has several benefits over traditional packaging.

SPBV's unique packaging has great marketability, not only because of its innovative and practical design, but because it represents significant cost savings in the single serve aseptic juice/drink sector. The company is seeing increased demand and new repeat orders from nationwide chains such as Smart & Final. These repeat and new orders clearly demonstrate the enormous growth potential of its products, which is particularly encouraging as the company begins to develop its new lines of fruit juices and other beverages. The beverage sector is experiencing substantial growth and we believe Sports Pouch Beverage will capture a significant share of that market. Current business activity is providing real validation that its proprietary packaging is generating consistent retail sales within its category.

Both operating and financial risk involved in investing in a young food and beverage company is typically high and should be considered by investors. In this case the risks are tied mainly to uncertainty surrounding the speed and efficacy of adoption of its packaging design through co-packing agreements and the anticipated success and ability of the company to achieve a high level of market penetration and building of consumer awareness. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching large orders for its novel packaging design and hence maintain current revenue streams and lift the pace of revenue growth experienced recently, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to SPBV should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind SPBV's patented "pull-push" spout system and fill process to be unlocked as new agreements and co-packaging deals come to the fore and the company grows further through launch of complimentary drink products and expansion in new geographic areas. Short term we expect that the price of SPBV may tread water from a technical point of view. We see lack of financial disclosure as factor that is a negative overhang on the performance of the stock, which may inhibit price appreciation, unless it is resolved.

We expect that the company will release financial statements in the coming 12 months to address this issue. We believe SPBV can manage its organic growth and geographic rollout strategy and deliver solid financial and operational performance in FY2007, that when coupled with improved disclosure will ultimately lead to re-rating of the stock.

In the last few years, beverage related companies have done extremely well. Past performance of peer companies with successful health beverage nutrition and meal replacement brands have been highly satisfying and investors in these companies have been handsomely rewarded of late. Canadian Beverage in the last year has gone from around \$1 to over \$4 per share. SPBV is not as big as any of these companies but it has a unique product that the company believes is one of the biggest ideas in the last few years. If the company were able to capture only a small percentage of market share in its target market, it would lead to a steep upward leap in the market capitalization of SPBV. Given the size and scope of the opportunity that exist for SPBV in the soft drink section of the nationwide beverage industry, we regard the current market capitalization of less than \$2 million as very modest and undemanding.

Hanson's Natural Corp. (HANS) and NutriSystems (NTRI) are examples of companies within the beverages - soft drinks group that have produced stellar returns in the past 3 years. Peer comparisons reveal investors assigning price to sales multiples anywhere from 4.5 to 8.0 times and 12-month forward PE ratios in excess of 25x. We believe that a Price to Earnings ratio of near 25x FY 2006 EPS of +0.7c is appropriate for SPBV common stock at this point of the company's life cycle, whilst also allowing a slight discount for an OTC issue. We anticipate SPBV to be able to achieve a market capitalization of \$12 million in the coming 12 months, which represents a 6-fold increase over the present valuation.

Investors often come to believe that a stock is undervalued or overvalued compared to other stocks in its industrial group. To calculate an alternate target price for the current and next fiscal year based on those beliefs, investors can apply the average PE multiple for a company's industrial group to the average professional analyst's earnings estimate for the company in those periods. The Beverages - Soft Drinks group current multiple (P/E) is stationed at 22.9x.

Valuation using the industry's current multiple (P/E):

	Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
FY 2006 EPS	0.007	20.6		0.14	9.4%	0.138
FY 2007 EPS	0.030	20.6	329%	0.62	9.4%	0.540
Average						0.408

Price to Book	NA	Assumptions	Beta	1.40
Price to Sales	NA		R _f	4.50%
Current PE	NA	R _m	8.0%	
Forward PE	2.00	k	9.4%	
(FY 2007 EPS)	NA	$k = R_f + (R_m - R_f) * \text{Beta}$		
EV	NA			
LT Debt/Equity	NA			
Current Ratio	NA			

We believe SPBV has a unique beverage packaging system has the ability to revolutionize the drink industry. The interest that the company has received to date from substantial global players reinforces that the company has a winning product that is the next generation of how beverages will be presented to the marketplace. At this critical stage in the company's life cycle, its recent positive co-packer and other negotiations reinforces the fact that SPBV's proprietary packaging has great marketability, not only because of its innovative practical design, but because it represents significant cost savings in the single serve aseptic juice/drink sector.

Given managements comments, information contained in news releases and our own independent forecasts, we are of the opinion that revenue potential of over \$1 million and \$7-\$10 million is achievable for FY 2006 and FY 2007 respectively. Under the assumption that the company can successfully bring new R&D product ideas to market and making allowance for profitability that would likely stem good cost controls and effective management, we believe FY2007 net earnings in a range of \$1.5 to \$1.8 million will be quite feasible.

We believe that the company should be valued using a PE approach. Due to the lack of financial metrics to allow us to use historic numbers and hence forecast net earnings, cash flows or book values, we have decided to implement and rely on management guidance of present orderflow trends seen and expected future revenues to arrive at a value that is useful while financial statements and history remain absent from our analysis.

Using the high-end of our FY2007 revenue estimate range and applying a 20.6x P/E ratio, which is taken as a benchmark from the beverage soft drink sector trading at 22.9x and applying a 10% discount to this PE proxy, we arrive at a market valuation of roughly \$12 million or 40c per share, which is our 12-month target price.

Under these assumptions we initiate coverage on SPBV with a SPECULATIVE NEUTRAL rating. The reader should note that the absence of financial data plays a vital role in setting and selection of our investment rating. Due to our ratings and selection criteria, companies that have not provided financial information are unable to be classified in a category higher than SPECULATIVE NEUTRAL RATING, irrespective of other possible overriding bullish factors that may influence or justify a higher rating or our target price that reflects our view that the stock has meaningful upside potential.

Risk to our recommendation include amongst other failure to invigorate consumer awareness, low penetration of markets, slow restocking by major retailers, timing delays in implementation of SPBV product rollout on both regional and nationwide level and or unforeseen delivery, shipment or production problems from 3rd party manufacturers. Also, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

Added risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company, risk to a steep decline in consumer spending and interest rate or mortgage rate shocks, amongst others that results in reduced consumer confidence. Reduced spending budgets by SPBV customers caused by an unanticipated industry or economic downturn or a major contraction in nationwide beverage industry in general, albeit unlikely given its defensive, non-cyclical nature can lead to soft demand for products and services, which can resulted in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (microcap) and risks involved, overall we advise positions be limited to under 3% of the client's total portfolio size. Readers are encouraged to also look at the section in this report discussing risk factor in greater detail, which is on page 6 and 7 of this report.

SPBV -- Sports Pouch Beverage Co., Inc.
Com (\$0.001)



ANALYST CERTIFICATIONS

APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Tri-State Capital received \$7,000 in compensation for work on the subject company from a third party.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

Clients of the analyst firm collectively own less than 1 percent of total shares outstanding of the issuer. For securities recommended in this report the firm is not a market maker, but may from time to time provide bids and offers and may act as principal in connection with such transactions to facilitate trading liquidity or execution. The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness.

All information contained in this report is subject to change without notification. The information contained in this report is not intended to be, and shall not constitute, an offer to sell, nor solicitation of any offer to buy, any security. Investors are advised to consult their personal broker or investment advisor before making any decision concerning the subject company. Investors are also urged to do their own due diligence. In our opinion, only high risk-oriented investors who can risk the loss of their entire investment should even consider a commitment to the covered company.

All readers are urged to peruse SEC documents relative to the subject company before making any investment decision. No reproduction of this report is permissible without the consent of the writing analyst. All rights reserved.