

**Clearly Canadian Brands (OTC BB: CCBEF)**



Clearly Canadian Beverage Corporation, d/b/a Clearly Canadian Brands (the "Company"), www.clearly.ca, founded in 1988 and headquartered in Toronto, is a diversified branded food and beverage company focusing on the selection, packaging and distribution of healthy, natural and organic products.

The Company operates three divisions encompassing (i.) Clearly Canadian® premium alternative beverages; (ii.) My Organic Baby and My Organic Toddler foods; (iii.) and dried fruit and nut snacks under SunRidge Farms, Naturalife, Sweet Selections, Simply by Nature and Glengrove Organics brands. The Company's products are distributed through a network of wholesalers in Canada, the U.S., and various other countries, and are available at some of the world's largest retailers, such as Wal-Mart, Whole Foods, Safeway, Loblaws, Sobey's, 7-Eleven, Shell Convenience Stores, Babies "R" Us and others. Having completed the integration of two major acquisitions over the past 18 months, consolidating operations and centralizing personnel, the Company has now created a strong platform to capitalize on operational efficiencies and strategic opportunities to grow its business through continued organic growth, persistent product innovation and synergistic acquisitions. Trading on the OTC Bulletin Board under the symbol CCBEF, the Company appears well positioned to become a niche player in the emerging organic and natural food and beverage sector.



CURRENT PRICE: \$1.16  
 52-WEEK RANGE: \$0.37 - \$2.99  
 AVG DAILY VOLUME (90-DAY): 75,400  
 OUTSTANDING SHARES: 23.7 million  
 FLOAT: 13.9 million  
 MARKET CAPITALIZATION: \$27.4 million

**SELECTED FINANCIAL DATA**

**INCOME STATEMENT**

Three months ended March 31, 2008

REVENUE: \$2.5 million  
 QTR REVENUE GROWTH: 70%  
 GROSS PROFIT: \$356 thousand  
 EBITDA: (\$3.3 million)  
 NET INCOME: (\$4.4 million)  
 EPS (Diluted): (\$0.20)

**BALANCE SHEET**

As of March 31, 2008

CASH & EQUIVALENTS: \$5.4 million  
 WORKING CAPITAL: \$5.2 million  
 TOTAL ASSETS: \$18.5 million  
 LONG TERM DEBT: \$5.8 million  
 NET WORTH: \$9.1 million

Source: Yahoo!

See page 5-7 for more financial details.

**HIGHLIGHTS**

Integrated two major acquisitions resulting in revenue growth of 42% in 2007 and 70% in the first quarter of 2008.

See page 5-6 for details.

Reestablishing the highly recognizable Clearly Canadian® brand name through introduction of new Natural Enhanced Waters and one-liter sparkling flavored waters.

See page 2 & 6 for details.

Partnering with Inov8 Beverage Company to revamp sparkling flavored waters, develop other innovative products and execute regional bottling program leading to production and distribution cost savings.

See page 3 for details.

Rapidly growing "good for you" markets.

See page 4-5 for details.

**STOCK CHART**

Having sharply depreciated in value during the last quarter of 2007, the shares began to advance starting in the beginning of 2008, when the benefits of two major acquisitions became more visible. The shares have traded in a tight range above \$1.00 since May, weathering poor market conditions for small caps, and occasionally picking up volume.

## PRODUCTS

**Premium Alternative Beverages** Having sold over 2 billion bottles since inception, the Company markets all-natural no-preservative premium alternative beverages, including carbonated Clearly Canadian® flavored sparkling waters and non-carbonated functional Clearly Canadian® Natural Enhanced Waters, which are distributed primarily in the U.S. and Canada.

Clearly Canadian® sparkling flavored waters of different caloric levels and flavors are produced from municipal water supplied by the Company's co-packers, in proprietary 14-ounce glass and 1-liter PET (polyethylene terephthalate) bottles. The waters are sold directly to national chains and through over 50 distributors in North America.

Clearly Canadian® Natural Enhanced Waters with different vitamin, mineral and organic essence enhanced formulations and no artificial sweeteners are produced in a 20-ounce PET bottle from a Company-owned pristine artesian water source in Formosa, Ontario. Enhanced waters include dailyHYDRATION with refreshing organic citrus flavors and no calories, dailyVITAMIN fortified with essential vitamins, minerals and nutrients and only 25 calories, and low-calorie dailyENERGY booster.

The Company also sells oxygen enhanced water co-packed for a private label customer.

**Healthy Snack Foods** The Company's snack foods division offers over 100 varieties of dried fruit and nut snacks from SunRidge Farms, Naturalife, Sweet Selections, Simply by Nature and Glengrove Organics brands, which are either certified organic or natural and come in various bag and PET container sizes. The Company also customizes and packages private label bag and bulk dried fruit and nut snacks for several major retailers in Canada, including Wal-Mart and Whole Foods.



**Organic Baby Products** The Company also markets over 40 different certified organic baby food products, including infant formulas, cereals, jar foods, toddler fruit snacks, teething biscuits and juices under the brand names My Organic Baby and My Organic Toddler. Made from pure nutritious ingredients with no pesticides, herbicides, preservatives, artificial flavors or colors, the entire product line is certified by QAI (Quality Assurance International), USDA NOP (U.S. Department of Agriculture National Organic Program) and CAAQ (Quebec Organic Reference Standard - Conseil des appellations agroalimentaires du Québec). It is currently distributed throughout Canada, where it dominates the organic baby and toddler food sector. Several major retail customers in Canada, including Shoppers Drug Mart in Canada have recently signed up to private label selected products. The Company also plans to penetrate the U.S. market in the near future.



## CORPORATE STRATEGY

In response to a several-years trend of declining beverage sales, last year the Company strengthened its revenue levels by acquiring two companies with a complementary product mix. On February 7, 2007, the Company completed an acquisition of DMR Food Corporation, a leading organic and natural snack food company in Eastern Canada, and on May 24, 2007, the Company acquired My Organic Baby, Inc., which develops and markets Canada's

first full nationwide line of organic baby food. Coming at the forefront of the heightened consumer movement towards healthy, natural and organic products, the diversified mix of complementary "Good for You" beverage, baby and snack food products is expected to provide significant marketing and distribution synergies.

The Company has undertaken efforts to stimulate revenue growth by integrating the distribution channels of the acquired product lines and restructuring its beverage distribution network. Having largely relied in the past on distributors affiliated with major traditional soft drink companies, which over time entered the alternative beverage sector and are increasingly unwilling to carry competitive brands, the Company recently placed major emphasis on working with independent wholesalers and brokers distributing a variety of alternative beverages from different manufacturers. At the same time, the Company is focused on expanding arrangements with specialized health food and other distributors, as exemplified by a May 2008 alliance with Horizon Distributors, Western Canada's largest distributor of organic and natural products, which recently expanded its operations into a new 150,000 square foot distribution center. The Company also concentrates on cross-marketing of its product lines among its existing distribution channels.

The Company uses a mix of trade, retail and consumer marketing to promote its products and improve brand awareness, including retail listing fees, in-store promotions, distribution drive incentives, mass print advertising, celebrity spokespersons and television programs. The Company has rights to utilize the name and likeness of Steve Nash, a two-time National Basketball Association MVP, and Kurt Browning, a four-time World Figure Skating Champion. This year, Mojo-HD channel available through most major U.S. cable providers aired and is scheduled to rerun an eight-episode documentary television series titled "*Bobby G: Adventure Capitalist*" featuring the Company's CEO and its products. Currently, the Company is also evaluating the potential of implementing shelf placement fee programs with selected national retailers.

Rooted in a long-standing tradition of introducing innovative beverage products, the Company is leveraging its research experience to develop reformulations of its existing products and extensions of its brands. Historically, novel trendsetting products launched by the Company included its line of Clearly Canadian® sparkling flavored waters, Orbitz - a beverage with floating beads, as well as such van-

guards of their categories as Battery energy drink and vitamin enhanced Reebok Fitness Water. Currently, the Company is collaborating with INOV8 Beverage Company LLC led by two beverage industry giants - Mike Weinstein and Brian O'Byrne, former Presidents of companies that marketed some of America's greatest brands including Snapple, Yoo-Hoo, Mystic, A&W, Stewart's, Orangina, Squirt, Vernor's, RC and Diet Rite. Having completed a variety of mass focus groups and industry trend studies on the Company's behalf, INOV8 is advising the Company on revamping its sparkling flavored waters, developing concentrate formulations and creating an entirely new line of beverages under the Clearly Canadian® trademark. The Company also has plans to employ its own technical expertise and market savvy to invest in innovation for its baby products and food & snacks lines. As an example, the Company anticipates launching a line of organic cotton baby clothes in the future.

The Company has also taken concrete steps to continue the expansion of its offering through acquisitions of new natural and organic brands. Recently, the Company announced it had signed a letter of intent to acquire Baldwin Street Kosher, a rapidly growing brand of gourmet hot dogs, sausages, salamis and other kosher gluten free meat products. Although only three years old, the Baldwin Street brand sells at most major Canadian supermarkets in

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BRANDS  
A Family of Healthy Choices



the Toronto area, and at kosher carts at the Air Canada Centre during Toronto Maple Leafs NHL Hockey and Toronto Raptors NBA Basketball games, as well as at the Rogers Centre during Toronto Blue Jays Baseball games and other events. ***Striving to multiply the revenue streams, gain additional exposure and further improve operational efficiencies, the Company is in the process of identifying other strategic acquisitions of complementary product lines.***

***Simultaneously, the Company is aggressively streamlining its cost structure to improve profit margins and lower its breakeven point.*** Following the acquisitions, the operations of all three divisions were consolidated in Toronto, where the Company at the year end 2007 employed 36 people, including nine employees in various management and administrative positions, 13 involved in sales, marketing and operations and 14 plant workers.

With assistance from INOV8, the Company is in negotiations with major bottling groups for an overall North American agreement for beverages, which would drastically reduce the growing production and escalating delivery costs. At the same time, the Company's relationships with its co-packers and ingredient suppliers in the baby and snack foods divisions are continually realigned for optimum efficiency.

## INDUSTRY

Growing consumers' concerns over healthy eating habits globally and especially in industrialized nations has resulted in rapid expansion of natural, organic, kosher and functional food and beverage markets. First Research, Inc. reported in June 2008 that the specialty food store industry retailing products from these categories includes about 20,000 stores with combined annual revenue of \$20 billion.

Organic food, and especially the baby sector, is one of the fastest growing sectors in the food industry overall, experiencing double digit growth in most developed markets compared with a 1-

## MANAGEMENT

### ***Bobby Genovese, Chairman & CEO***

Mr. Genovese, who was appointed the Company's Chief Executive Officer and Chairman of the Board of Directors in February 2008, has been a controlling shareholder in the Company since 2005. Mr. Genovese has over 15 years of mergers and acquisition experience, including positioning privately-held undervalued companies to compete in the public arena through the Investor Relations Group he established in Vancouver, British Columbia 1987 and sold in 1995. Mr. Genovese is currently the founder and owner of BG Capital Group Limited ([www.bgcapitalgroup.com](http://www.bgcapitalgroup.com)) and BG Capital Management Corporation, both based out of Barbados with offices in Ft. Lauderdale, Florida and Toronto. His portfolio of companies, which includes among others Neptune Society, Inc., a leading cremation services company with operations in ten states and serving 36 metropolitan areas, holds assets of over \$200 million and generates revenues in excess of \$150 million.

### ***David Reingold, President***

Mr. Reingold, who became the Company's President in May 2007 and was previously a Director from May 2007 to April 16, 2008, is a notable leader in the health food industry with extensive experience in product development throughout Canada. Mr. Reingold is the founder of DMR Food Corporation, a top seller of organic and natural snack foods in Eastern Canada acquired by the Company in February 2007 and is responsible for some of the leading brands in the industry. Mr. Reingold is also the co-founder of My Organic Baby, Inc., the first full line of certified organic baby food in Canada, which was acquired by the Company in May 2007. His years of service within the Canadian health food industry have been highlighted by numerous product, service and supplier awards.

### ***George Reznik, Director***

Mr. Reznik, who has served on the Board since May 2007, brings over eighteen years of corporate finance, operational management, investor relations and M & A experience to the Clearly Canadian Board of Directors. Mr. Reznik is currently the CFO of Intrinsic Software (TSX: ICS), a software developer traded publicly in Toronto. Previously, Mr. Reznik served in top financial executive positions in several publicly traded companies, including Digital Dispatch, Infowave Software and Pivotal Corporation, where he led the company through an IPO on the NASDAQ and Toronto Stock Exchange. Mr. Reznik is a Chartered Accountant, Chartered Business Valuator and a Certified Fraud Examiner, and holds a Bachelor of Commerce degree from the University of Manitoba, Canada.

### ***Samantha Alfonzo-Casanova, Director***

Mrs. Alfonzo-Casanova was appointed to the Board in June 2008. She is a Canadian lawyer currently residing in the Cayman Islands. As an associate for a Canadian national law firm, Mrs. Alfonzo-Casanova was involved in a number of corporate and commercial law matters including mergers and acquisitions, secured lending transactions and outsourcing agreements. She currently provides consulting services to international corporations in the Caribbean.

2% growth rate for conventional food products. The global organic food market grew by 10.9% in 2007 to reach a value of \$43.5 billion, and is forecast to reach a value of \$66.8 billion in 2012, an increase of 53.6% since 2007, according to a May 2008 Datamonitor report. Innovative Research and Products (iRAP) Inc. reported in March 2008 that the

global market for organic infant food would have reached \$760 million in 2007 and will increase to \$2.26 billion by 2012. Europe and North America will continue to be the largest two markets for organic baby foods, due to increasing awareness of health and environmental issues. In the U.S., the market for organic beverages has grown 97% between 2002 and 2007, according to an October 2007 report by Mintel International Group Limited.

### COMPETITION

The natural and organic sector of the food and beverage industry is highly competitive and fragmented. The Company's products compete with organic and natural products offered by traditional fully-diversified global beverage and processed food producers with dominant presence in the North American markets, such as The Coca-Cola Company (NYSE: KO), PepsiCo, Inc. (NYSE: PEP), Cadbury plc (NYSE: CBY), Diamond Foods, Inc. (NASDAQ: DMND), Nestle and Johnvince Foods, as well as other producers concentrating on the U.S. or North American market, including National Beverage Corp. (NASDAQ: FIZZ), Dr Pepper Snapple Group, Inc. (NYSE: DPS), J & J Snack Foods Corp. (NASDAQ: JJSF), John B. Sanfilippo & Son, Inc. (NASDAQ: JBSS). The Company also competes directly with companies of various sizes that specialize in the natural and organic sector, such as Hansen Natural Corporation (NASDAQ: HANS), Cott Corporation (NYSE: COT), Jones Soda Co. (NASDAQ: JSDA), Skinny Nutritional Corp. (OTC BB: SKNY), Reed's, Inc. (NASDAQ: REED) in alternative beverages and The Hain Celestial Group, Inc. (NASDAQ: HAIN), Smart Balance, Inc. (NASDAQ:



### DIVISION SALES CONTRIBUTION

Sales data in thousands of dollars	2007 Share of Q1 2008 Share of			
	Sales	Total	Sales	Total
Alternative Beverages	5,603	52.7%	590	23.6%
Organic Baby Products	1,124	10.6%	836	33.5%
Healthy Snacks	3,896	36.7%	1,070	42.9%
Total	10,623		2,496	

SMBL), SunOpta, Inc. (NASDAQ: STKL), Forever-Green Worldwide Corporation (OTC BB: FVRG), Fresh Harvest Products, Inc. (OTC BB: FRHV) in snacks and other foods, as well as those with a mixed natural food and beverage offering, such as Leading Brands, Inc. (NASDAQ: LBIX), perhaps the Company's closest comparable within the U.S. equity marketplace. In addition, many major retailers also market competitive products under their own private labels.

### FINANCIALS AND OUTLOOK

Having acquired DMR Food Corporation and My Organic Baby, Inc., the Company's total revenues for the year ended December 31, 2007 rose 42% to \$10,623,000, from \$7,462,000 in 2006, when all revenues were attributable solely to the Clearly Canadian beverage sales. The overall increase was a result of the addition of \$3,896,000 in sales from the healthy snack division acquired in February 2007 and \$1,124,000 from the organic baby product division acquired in May 2007, as well as a decrease of \$1,859,000 in sales of the beverage division, which contributed \$5,603,000, or 52.7%, to the total 2007 revenues. Experiencing rapid growth rates, the healthy snack sales and organic baby foods represented 36.7% and 10.6% of total revenues, respectively. The overall decrease in beverage sales, which was attributable to the decline in sales of 14-ounce flavored sparkling water and oxygen enhanced water orders from a major private label customer, was partially offset by rapidly growing sales of 1-liter flavored sparkling water and Natural Enhanced Waters line. The gross profit margin in 2007 was 13.2%. *The net loss for the 2007 year was \$12,796,000, or \$0.63 per share, compared with a loss of \$8,247,000, or \$0.82 per share, in the previous year.*

**The shifting trend of the division sales mix away from the beverages and in favor of snack and organic baby products intensified in the first quarter of 2008. For the three months ended March 31, 2008, total revenues were \$2,496,000, an increase of 70%, compared with \$1,467,000 for the same quarter in the previous year. The contribution from the snack products division to total**

## NEW DIVISION GROWTH RATE SIMULATION

Sales data in actual dollars	Acquisition Date	Product Sales				
		2007	Daily Avg	Q1 2008	Daily Avg	Growth Rate
DMR Food Corporation	7-Feb-07	3,896,000	11,878	1,070,000	11,889	0.1%
My Organic Baby, Inc.	14-May-07	1,124,000	5,063	836,000	9,289	83.5%

The table compares daily average sales of acquired divisions in the days of fiscal 2007 following the respective acquisitions until the year end on December 31, 2007 to the daily average sales of the divisions in the first quarter of 2008.

revenues was \$1,070,000, or 42.9%, while the baby foods accounted for \$836,000, or 33.5%, showing continued strong growths in these segments. Quarterly sales from the beverage division were \$590,000, compared with \$919,000 in the same quarter of 2007. The Company achieved overall gross margin of 14.2%. The net loss for the three months ended March 31, 2008 was \$4,378,000, or \$0.19 per share, compared with \$2,181,000, or \$0.12 per share, for the three months ended March 31, 2007. *On a cash basis, and after taking into account non-cash items, non-recurring expenses and interest and penalties on its convertible notes, the quarterly loss would have been \$1,128,000, compared to a loss in of \$1,530,000 in the prior year.*

During 2007, the Company completed brokered private placement equity sales of 1,166,333 common shares issued at \$3.00 per share, together with the same amount of warrants exercisable at \$3.25 per share and expiring in March 2009, raising a total of \$3,499,000. Additionally, the Company raised \$1,260,806 in cash by issuing of 792,946 shares on the exercise of stock options and warrants. In September, the Company also issued Senior Convertible Notes in the amount of \$9,360,000, accompanied by 4,517,162 common stock warrants exercisable at \$1.75 per share. Upon this financing, the Company restructured its obligations to the sellers of My Organic Baby, Inc. and DMR Food Corporation, for which it initially issued notes totaling \$11,800,000. As of March 31, 2008, the Company's balance sheet showed cash of \$5,446,000, working capital of \$5,223,000, total assets of \$18,516,000, long-term debt of \$5,767,000 and net worth of \$9,094,000. In the first quarter of 2008, the Company reported negative operating cash flow of \$3,266,000. **The balance sheet could strengthen in the near term, if additional warrants in the money are exercised.**

The Company is attempting to execute its aggressive marketing and sales strategy in the U.S. and Canada. *The organic baby product revenues are already exhibiting solid organic growth rates. Having reported sales of \$836 thousand in the first quarter of 2008, the baby foods division achieved 83.5% growth of average daily sales in this three-month*

*period, compared to the daily average in the nearly eleven-month period following its acquisition in fiscal 2007.* In June 2008, the Company announced that several major retail customers have chosen to private label the Company's My Organic Baby foods, which are expected to be present in a minimum of 1,250 stores throughout Canada by the end of the year. For its healthy snacks division, the Company plans to expand a bulk sales program in health food category sets to all regions in Canada and launch a portion control snacks for Convenience & Gas channel under the Clearly Canadian brand. *Finally, the Company's organic baby and snacks divisions have tremendous largely-untapped potential for geographical expansion into the massive U.S. market.* While organic baby products still await their introduction in the U.S., some of the healthy snacks are already available at major domestic airports, as well as train and subway stations through an agreement with HDS Retail signed in March this year.



*Leveraging the highly recognizable Clearly Canadian® brand name, the Company is also expanding its wholesale distribution network and direct supermarket sales of its new 1-liter sparkling flavored waters and natural enhanced waters, which as a combined group of new beverage products achieved sales growth of 342% in 2007.* In addition to approximately 50 distributor relationships in North America, the Company has three direct major national accounts in Canada and one in the U.S., and plans to secure several more over the next two years. The Company has also launched a new project this year with INOV8 to sell concentrate of Clearly Canadian sparkling flavored waters to major manufactures and distributors for production in multi-packaging formats, which if implemented successfully could further contribute to revitalizing the sales of the beverage division. **As a result of the marketing and product innovation initiatives, the Company's management projects overall sales**

**for the three divisions of approximately \$16 million in 2008, representing about 50% growth over 2007.**

In addition to expanding its product lines and distribution channels, the Company is aggressively pursuing synergistic acquisitions in the natural organic & health sectors. In the near future, the Company is expected to close its acquisition of Baldwin Street Kosher, for which a letter of intent was signed in April 2008, potentially diversifying its offering into gourmet kosher meat products and significantly augmenting its revenue streams.

The Company's seasoned management possesses a wealth of merger and acquisitions, marketing and corporate leadership experience. It has a concise strategy to establish the Company as a significant niche market player in the health food and beverage industry in North America with a goal of achieving profitability in the next 12-18 months. The Company's current valuation of approximately 1.7 times its 2008 projected revenues, which do not include any potential acquisitions to be completed this year, appears to present an opportunity for speculative long-term investors willing to accept the general high risks associated with emerging growth companies, including the likelihood of dilution stemming from future offerings and currently outstanding warrants; reduced liquidity and price volatility of bulletin board companies; as well as business and financial risks, such as intense competition in the Company's respective market segments, low margin nature of the business, lack of profitability on a consolidated basis, limited capital resources and foreign exchange fluctuations. *Assuming the management continues to streamline overhead costs and successfully integrates future acquisitions, improves profit margins and gains market share in its product segments, the Company could command a much higher valuation as it strives to achieve a leadership position in the burgeoning healthy, natural, organic and kosher product markets.* Long-term success of the shares is also dependent on eventual achievement of profitability and restructuring of the Company's balance sheet.

**Alan Stone, Managing Director**  
**Tytus Biniakiewicz, Senior Analyst**

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