Zacks Small-Cap Research

January 19, 2017

Ian Gilson
312-265-9496
igilsonl@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Eastside Distilling, Inc. (ESDI-OTCQB)

ESDI engages major brand development company to capitalize on its extensive collection distilled spirits.

Current Price (01/18/17)	$1.90
Valuation	**$5.00**

OUTLOOK

With its recent expansion Eastside Distilling has the potential to be one of the larger craft distilleries in the industry. Its broad spectrum of craft spirits sets it apart from much of its competition and it has marketing agreements with several of the largest distributers, including Southern Glazer's, by far the largest distributer in the industry.

All of its products are handcrafted from natural ingredients in small batches for unequaled quality and taste.

The craft spirits industry is growing rapidly, and whiskeys, as produced by Eastside, are becoming a more important part of the industry.

Our current price target is $5.00 a share

SUMMARY DATA

52-Week High	**$6.00**
52-Week Low	**$0.93**
One-Year Return (%)	**-67.2**
Beta	**N/A**
Average Daily Volume (sh)	**1,400**
Shares Outstanding (mil)	**6.9**
Market Capitalization ($mil)	**$13.1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**63**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2016 Estimate	**N/M**
P/E using 2017 Estimate	**N/M**

Risk Level	**N/A,**
Type of Stock	**N/A**
Industry	**Beverages**

ZACKS ESTIMATES

Net Sales
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	**$0.15A**	**$0.21A**	**$0.26A**	**$0.44A**	**$1.06A**
2015	**$0.33A**	**$0.30A**	**$0.35A**	**$0.72A**	**$1.70A**
2016	**$0.46A**	**$0.50A**	**$0.61A**	**$1.30E**	**$2.87E**
2017	**$0.76E**	**$0.80E**	**$0.88E**	**$2.08E**	**$4.52E**

Earnings per share*

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	**-$0.37A**	**-$0.30A**	**-$0.62A**	**-$0.29A**	**-$1.57A**
2016	**-$0.44A**	**-$0.45A**	**-$0.31A**	**-$0.14E**	**-$1.20E**
2017	**-$0.14E**	**-$0.13E**	**-$0.12E**	**-$0.04E**	**-$0.43E**
2018	**-$0.12E**	**-$0.11E**	**-$0.10E**	**$0.04E**	**-$0.29E**

Zacks Projected EPS Growth Rate - Next 5 Years % **35**

Adjusted for 20 for one reverse split.

© Copyright 2017, Zacks Investment Research. All Rights Reserved.

RECENT NEWS

On Jan. 18, 2017 the company announced it has engaged Portland, Oregon based Sandstrom Partners, Inc. to enhance Eastside Distilling's brand identity.

Sandstrom's client list includes over 150 clients over a broad spectrum of industries, including distilled spirits. Companies that have used Sandstrom include Diago Plc, Brown Forman, InBev, Seagrams and St-Germain. Products include Vodka, Gin, Bourbon, American Whiskey and liqueurs.

In a way Sandstrom acts as the marketing arm for distinct products within a company's product line. They will be involved in package design, brand development, advertizing, product and brand awareness, digital awareness (including web design) and point of sale development.

This is a key move for Eastside. It does not have the capital for in-house major marketing campaigns but it needs this to move from a regional to an international factor in the growing craft distilleries sector.

Eastside Distilling announced on Jan. 09, 2017 that it had completed three transactions on Dec. 30, 2016 that resulted in an increase in net working capital of close to $2.75 million.

The company closed a private placement of $1.04 million gross that consisted of 800,000 shares of stock at $1.30 plus, for each share, a three year warrant to purchase stock at $2.50 a share. This transaction generated $1.04 million gross and there were no underwriters, placement agent or selling agents. This stock will be registered asap.

Five accredited investors converted outstanding warrants for 428,846 shares of stock at a price of $1.30, reduced from a strike price of $2.00 a share. This generated $0.557 million in cash. The reduction in price was an inducement by the company and was available for short period of time.

Likewise, ten accredited investor received 886,538 shares of stock in exchange for $1.152 million of promissory notes issued in 2016. This transaction was also at $1.30 a share.

The net impact of the three transactions was an increase in cash of $1.597 and a reduction of $1.152 million in notes payable. We have adjusted our future earnings estimates to reflect the new shares which, under current accounting rules, will result in a decline in net loss per share in 2017.

The company has announced that its bourbon portfolio and its Potato Vodka have received clearance from the Chinese government for sale in China after two years of testing and review. China is a significant market for American distilled spirits, growing from $11 billion in 2013 to $15 billion in 2015, within an overall spirits market estimated at close to $145 billion in 2016. A significant part of the Chinese market are sales in whisky bars and tasting clubs. Local tastes tend towards high end brands which works to ESDI's strengths. Distribution is similar to the US model, through distributors, but with experts in importing spirits. We assume that Eastside Distilling is negotiating with Chinese importers. Prices should be in line with prices to US distributors.

Eastside Distilling announced its third quarter results after the close of the market on November 14, 2014 followed by a conference call.

			1Q15	2Q15	3Q15	4Q15	2015A	1Q16	2Q16	3Q16
Cases sold [12*750 ml}			1,754	1,930	2,191	4,325	10,200	3,148	3,374	3,974
Gross price per case`			$242	$222	$225	$227	$228	$198	$186	$200
Gross revenue, dollars in millions			$0.425	$0.428	$0.492	$0.982	$2.327	$0.622	$0.628	$0.796
Net price per case			$185.29	$157.72	$160.70	$166.59	$166.86	$147.24	$149.47	$152.74
Net Revenue, Dollars in millions			$0.325	$0.304	$0.352	$0.721	$1.702	$0.464	$0.504	$0.607
Taxes as % Gross revenue			23.49%	28.81%	28.49%	26.55%	26.82%	25.47%	19.63%	23.62%

Case sales beat our numbers as did the revenue per case. Third quarter prices usually move up sequentially but we had assumed that they would be flat as sales through distributors outside of Oregon expanded.

Wholesale sales in Oregon grew 61% but fewer retail outlets (the numbers vary based on seasonal factors) caused overall sales in Oregon to grow by only 19%. As we move into the holiday period (Thanksgiving through New Year) special events, increased number of outlets and seasonal varieties of spirits will drive Oregon retail sales back up and also influence sales in other states.

Gross margins were impacted by increased raw material costs. Eastside purchases its raw materials from a few local suppliers and the company is increasing is sourcing to provide a more stable pricing environment. It does not use grain futures as do many large alcoholic beverage manufacturers.

We have increased our estimates of case prices slightly. We expect solid seasonal growth in the 4Q16 with an improvement in gross margins from 3Q16 levels.

The company has filed a 8K stating that the senior executives have reduced their salaries and that Jay Harkins has left.

Eastside Distilling has shipped its first Canadian order to the Ontario Liquor Control Board. It shipped its award winning four year old barrel aged Burnside Bourbon. This is a point of entry for the company to introduce other brands into the largest market in Canada.

With the expiration of the 20 day period the stock symbol has returned to ESDI. The previously announced reverse split took effect on Oct. 18, 2016. The stock traded under the symbol ESDID for 20 trading days.

We have adjusted our data for the new share count on both a historical basis and looking forward.

Recent data from the American Craft Spirits Association (ACSA), International Wine and Spirits Research and Park Street, as presented at the Craft Spirits Economic Briefing in New York NY, confirm the rapid growth of the craft spirits industry.

As of Aug. 2016 there were 1,315 active craft distillers in the United States. Over the last five years craft spirits have grown at a compound rate of 27.4% in volume and 27.9% in value to a market share of 2.2% in volume and 3.0% in value.

After over 40 years of almost unparalleled growth the craft beer market is showing signs of weakness. On Oct. 14, 2016 Stone Brewing, one of the largest craft brewers in the country, announced it was laying off about 5% of its workforce.

Given that the craft distilled spirits industry is still in its infancy we could still be looking at increasing penetration of the overall spirits market for the next 20 years.

At the prestigious 2016 New York Wine and Spirits Competition Eastside Distilling won the double gold medal for its Burnside Oregon Oaked Bourbon (bottled at 48% ABV) and a silver medal for its Barrel Hitch Oregon Oak American Whiskey. This competition is regarded as one of the top three wine and spirits competitions in the U.S.A..

Both distilled spirits are aged, up to 120 days, longer than the spirits they are derived from using charred (carbonized) barrels made from Oregon Oak which imparts distinctive flavors to the spirits and, in our opinion, tends to smooth out the taste.

These wins add to the many other awards that Eastside Distilling have won and are valuable for their impact on sales and marketing.

On Sept. 30, 2016 the company announced it had received an initial order from a distributor (not specified and not listed on the company's website) in Florida that includes the Burnside Bourbon, Barrel Hitch American Whiskey and the premium Burnside Oregon Oaked Bourbon. Florida is the second largest state after California for the consumption of distilled spirits, and may be number one on a per capita basis.

Eastside Distilling has issued $0.9 million principal amount of 8% per annum notes and warrants to accredited investors. The maturity date is Sept. 19, 2018. Included with the notes were warrants to purchase 9 million shares at an exercise price of $0.10 a share exercisable for three years. The warrants will not be registered under the appropriate securities acts.

The company's Master Distiller Melissa Heim stated during an interview on a local news station on Sept. 12, 2016 that the company had recently shipped its largest order ever, 24,000 bottles, to a distributor on the East Coast. The average selling price per bottle to Eastside should exceed $10 (it was $12.45 in the second quarter).

On Aug. 15, 2016 Eastside announced its second quarter results, followed by a conference call.

Case sales increased 72% Y/Y to 3,374 cases which was an increase of 7% from 1Q16 shipments. On a dollar basis net sales in Oregon were relatively flat Y/Y, and most of the gain was from sales to distributers in other states. Oregon is the only state that has both retail and wholesale sales. Overall the change in sales mix resulted in a drop in average price per case from $157 to $149. We expect the average price per case to continue to decline and then level out as sales outside of Oregon become a greater part of the mix.

Eastside is now set up to sell into 24 states in the U.S.A. and also into Ontario, Canada The company wants to focus on large cities where spirit sales per capita are often much higher than in Oregon. Distribution into California started in 2Q16. California is the nation's largest consuming state for spirit sales with sales exceeding 25.7 million cases, which is 12% of total U.S. spirit sales.

Profit margins on net sales (gross sales less excise taxes) were 47% in 2Q16 as compared to 48% in 2Q15 and 45% in 1Q16. Holding gross profit margins at this level is a significant achievement given the substantial change in geographical mix.

SG&A continued to increase from both year ago and 1Q16 levels. Some of the increase in EBITDA loss was due to increases in depreciation, which will continue at this level, but debt financing and debt payment had a significant impact.

Cash, trade receivables and inventories were $2.06 million at the end of 2Q16 as compared to $0.97 million at year end 2015.

In March 2016 the company announced that Burnside Bourbon was approved for sale in Ontario, Canada. We assume, although it was not specified, that sales will be through the Liquor Control Board of Ontario [LCBO]. The LCBO is also the only supplier of alcohol to bars and restaurants in the province. Ontario is the most populous province in Canada.

KEY POINTS

- In the four quarters ending in the first quarter of 2015 the company sold 7420 cases of spirits and generated $1.23 million in net sales at an average price (ASP) of $166 per case. We assume that this is essentially all derived from sales in Oregon. If the new mix of sales to distributors drops the ASP to $140 a case and 20 states could generate 20 times the number of cases sold in Oregon then, under these naïve assumptions, the company could generate over $10 million in net sales and, with the current cost structure, would derive more than $1 million in net income.

- Eastside Distilling has the capacity to move out of the craft segment and develop a nationwide presence. This would be through strong relationships with large distributors both in the United States and abroad.

- The company has a new 41,000 square foot distillery which will be capable of producing one million cases of spirits, up from 100,000 cases at the end of 2015. When sales expand beyond the capacity of the current distillery Eastside can migrate production to the new facility with only a modest increase in expenses.

- The current product line can be extended with seasonal offerings and enhanced versions of its current products as well as new craft distilled spirits such as gin. This could increase the average price per bottle over time. The target market are the Premium and High End Premium categories as defined by the Distilled Spirits Council (DISCUS).

- There is a significant seasonality in the industry. Eastside currently has approximately 20% of the annual revenue in each of the first three quarters and 40% in Q4. Selling product through distributors is likely to move sales from Q4 into Q3.

- Recent quarters included over $1 million of SG&A expenses. Even though there were non-reoccurring items (not itemized), the overhead burden has to be reduced to achieve bottom line profitability over the next few years.

Eastside Distilling was founded in 2008 and, via a reverse merger, became public in 2014. Located in Portland's Distillery Row the company produces a number of craft spirits such as whiskeys, vodka and rums.

The company introduced its first product, Below Deck Rum in 2009 and opened its first distillery with 6,400 case capacity. Its first vodka was sold in 2010 and the product line expanded to include another rum and its first bourbon, Burnside, as well as its first seasonal liquor, Holiday Spiced.

Eastside Distilling entered the retail market, in Oregon, in 2014. Starting in 2015 the company launched several initiatives with distributors and was approved to sell spirits in five more states including New York and Texas.

Eastside Distilling, Inc.	**2012**	**2013**	**2014**	**2015**
Premium brand sales				
in million dollars based on Net Sales				
Burnside Bourbon	$0.049	$0.297	$0.422	$0.596
% change		507.9%	42.3%	41.2%
Barrel Hitch American Whisky				$0.119
% change				
Introduced July 2015				
Distinctive Whiskeys	$0.012	$0.074	$0.106	$0.255
% change		507.9%	42.3%	142.0%
Below Deck Rum	$0.012	$0.074	$0.106	$0.204
% change		507.9%	42.3%	93.6%
Premium Vodka	0.030	0.222	0.317	0.238
% change		641.6%	42.3%	-24.7%
Total net sales	$0.122	$0.742	$1.055	$1.703
Branded products	$0.103	$0.667	$0.950	$1.413
Seasonal varieties	$0.019	$0.074	$0.106	$0.290
as % total net sales	15.41%	10.00%	10.00%	17.01%
Sales in Oregon			$0.42	$0.54

Eastside Distilling has constructed a 41,000 sq. ft. distillery and tasting room designed to increase capacity to one million cases, a 150 fold increase.

There are substantial variations in prices for the same product across many markets. In Southern California the retail price for a bottle of Burnside Bourbon 4 Year on sale is currently $26.99 for a 750 ml bottle, its regular price is $34.99; Oregon Oaked Burnside is $54.99; Barrel Hitch American Whiskey sells for $19.99. Below Deck Silver Rum for $17.99 and Ginger Rum for $17.99; The Premium Vodka goes for $19.99. The rum and the vodka prices are close to the regular prices for well known premier brands.

OVERVIEW

The wine and spirits industry is a major contributor to the US economy. In 2014 it paid $6.45 billion in excise taxes (this does not include custom duties paid on imported wine and spirits), $15.9 billion in business related taxes and $34.2 billion to state and local taxes. It supports more than 57,000 direct manufacturing jobs.

The Dept. of the Treasury, Alcohol and Tobacco Tax and Trade Bureau publishes monthly data on net production of spirits and the amounts bottled for domestic use. The data contains inconsistencies but the overall trends are important. The TTB data is released about four months after the end of the month.

US Dept. of the Treasury										
	2003	2004	2005		2012	2013	2014	2015	2015	2016
Net annual production in billion proof gallons, data as reported in December.									6 months	6 months
Whiskey	71.941	83.114	92.89		112.616	211.319	141.433	146.912	73.981	89.683
Rum, Gin & Vodka	11.717	38.492	10.366		18.876	5.845	6.151	11.182	3.097	2.901
Corn used in spirits production, TRILLION pounds										
	11.487	12.594	16.897		90.344	98.487	118.285	133.711	63.065	71.306
Data available monthly										

US Dept. of the Treasury									
Bottled for domestic use, excludes imported Rum.									6 months
in million Wine gallons	2003	2004	2005		2012	2013	2014	2015	2016
Whiskey	65.222	63.852	65.367		77.297	13.261	81.330	76.273	36.875
Gin	19.809	18.295	17.802		14.337	13.261	12.585	11.352	5.754
Vodka	73.931	78.842	81.607		123.023	120.032	122.924	123.483	62.381
Tequila	14.941	15.012	14.358		16.023	14.807	16.441	15.690	8.055
Units are not important, the %of market and the sector growth are what counts									

In 2014 the alcoholic beverage market in the US was about $65.8 Billion according to the Distilled Spirits Council of the United States (DISCUS). Other sources place the total U.S. market at 7.7 billion gallons and retail sales at $212 billion, with spirits at 507 million gallons and $78 billion.

However, this data includes beer, spirits and wine, and this is not the relevant market for Eastside Distilling, Inc. A more relevant market is the spirits section, which accounts for 35.2% of the total. Preliminary estimates for 2015 are for an increase in revenue of 4.1% to $24.1 billion on a volume of 215,034 thousand cases (price per case of $112.09, an increase from the $110.11 of 2014).

Distilled Spirits Council of the United States								
Year	2000	2005	2010	2011	2012	2013	2014	2015
Distilled spirits								
Revenue in billions	$11.70	$16.00	$19.16	$20.36	$21.29	$22.22	$23.15	$24.09
As % of total market:	28.73%	32.05%	33.28%	34.05%	34.26%	34.70%	35.17%	35.44%

Over the 16 years from 1999 to 2014, except for 2009, the market share for spirits has increased from the prior year level, and beer has been the loser. But, again these statistic are not germane. What counts is the markets in which Eastside is involved or those that would be potential markets in the future.

Again, DISCUS has the relevant data for 2014 and 2015, broken down by category and price range.

The overall categories are shown below. The obvious target markets for Eastside Distilling are the whisky markets, both blended and bourbon.

					2014			2015			
Category	2013	2014	% change	Revenue*	Price per	2015	% change	Revenue*	Price per	% change
in thousand cases	cases	cases		Million $	bottle	cases		Million $	bottle	
Blended whiskey	6,131	8,706	42.00%	577	$5.52	9,471	8.79%	$633	$5.57	0.91%
Bourbon and Tennessee	18,031	19,357	7.35%	2,683	$11.55	20,367	5.22%	$2,894	$11.84	2.51%
Canadian	16,497	16,337	-0.97%	1,712	$8.73	16,745	2.50%	$1,852	$9.22	5.61%
Scotch Blended whisky	7,792	7,554	-3.05%	1,363	$15.04	7,457	-1.28%	$1,361	$15.21	1.13%
Scotch Single Malt	1,770	1,883	6.38%	645	$28.54	2,127	12.96%	$732	$28.68	0.49%
Irish	2,539	2,771	9.14%	553	$17.00	3,218	16.13%	$664	$17.19	1.12%
Vodka	65,869	66,943	1.63%	5,775	$7.19	68,160	1.82%	$5,806	$7.10	-1.25%
Rum	25,573	25,182	-1.53%	2,374	$7.85	24,793	-1.54%	$2,325	$7.81	-0.51%
Tequila	13,134	13,795	5.03%	2,111	$12.75	14,810	7.36%	$2,311	$13.00	1.96%
Gin	10,322	10,044	-2.69%	865	$7.18	9,865	-1.78%	$857	$7.24	0.84%
Brandy & Cognagc	11,124	11,533	3.68%	1,709	$12.35	12,362	7.19%	$1,914	$12.90	4.45%
Cordials	20,644	20,411	-1.13%	2,463	$10.06	20,027	-1.88%	$2,429	$10.11	0.50%
Cocktails	6,344	5,685	-10.39%	315	$4.62	5,718	0.58%	$316	$4.61	-0.22%
Total	205,768	210,200	2.15%	23,146	$9.18	215,121	2.34%	$24,093	$9.33	1.63%
DISCUS Annual Industry Review 2016										
* Gross revenue including Federal excise taxes at producer level.										
Totals may include rounding errors										

DISCUS also ranks markets according to perceived quality.

Product types												
9-litre cases		2013				2014				2015		
Category	Value	Premium	High end premium	Super premium	Value	Premium	High end premium	Super premium	Value	Premium	High end premium	Super premium
Blended Whiskey	2,808	3,323			2,832	5,874			2828	6643		
Volume change Y/Y					0.9%	76.8%			-0.1%	13.1%		
Bourbon & Tennessee	3,007	5,048	8,743	1,234	3,149	5,493	9,244	1,471	3,301	5,351	9,872	1,843
					4.7%	8.8%	5.7%	19.2%	4.8%	-2.6%	6.8%	25.3%
Vodka	26,396	20,305	12,939	6,230	26,503	20,395	13,636	6,409	26,815	20,633	15,150	5,562
					0.4%	0.4%	5.4%	2.9%	1.2%	1.2%	11.1%	-13.2%
Rum	5,798	16,238	3,130	407	5,693	15,852	3,190	447	5,782	15,485	3,066	460
					-1.8%	-2.4%	1.9%	9.8%	1.6%	-2.3%	-3.9%	2.9%
DISCUS Annual Industry Review 2015 , data subject to revision without notification												

Product types												
Revenue by quality		2013				2014				2015		
Category	Value	Premium	High end premium	Super premium	Value	Premium	High end premium	Super premium	Value	Premium	High end premium	Super premium
Blended Whiskey	$145	$241			$150	$427			$150	$483		
Bourbon & Tennessee	$172	$514	$1,490	$273	$181	$566	$1,611	$325	$192	$556	$1,735	$411
Vodka	$1,087	$1,554	$1,681	$1,267	$1,103	$1,558	$1,774	$1,340	$1,111	$1,569	$1,966	$1,160
Rum	$286	$1,625	$376	$103	$282	$1,593	$383	$115	$285	$1,550	$371	$119
$ millions including excise tax												
DISCUS Annual Industry Review 2015												

Producer		Value	Premium	High end	Super
Price points by type:				premium	premium
Blended Whiskey,		<$9.00	$12.10		
Bourbon & Tennessee		<$9.17	$18.00	$30.00	>$40.00
Vodka		<$8.00	$25.00	$40.00	>$50.00
Rum		<$8.00	$16.50	$20.00	>$40.00
mid point of suggested price range					
DISCUS Annual Industry Review 2015					
Price per 750 ml bottle before state & local taxes but including FET					
Est. by Zacks SCR					

The usual retail prices in Southern California for the various spirits are shown below:

	Value	Premium	High end premium	Super premium
Retail Price points by type:				
Southern CA				
Blended Whiskey,	$5.99	$7.30	$22.00	
Bourbon & Tennessee	$6.60	$9.65	$22.00	$24.00
Vodka	$4.00	$8.50	$19.00	$29.00
Rum	$4.30	$8.55	$23.00	$24.00
Other:				
Fireball Cinnamon Whisky		$14.00		
All products above are available in Los Angeles & San Diego.				
Survey by Zacks				

The classification is based on the names of the spirits mentioned in the DISCUS Annual Industry Review 2015.

It is obvious that the place to be for a craft distiller is the high end premium and super premium markets. According to DISCUS the growth over the last five years has been highest for the super premium whiskey market (155% in gross revenue and 141% in volume) followed by the high end whiskey market (50% in gross revenue and 34% in volume). Vodka is the largest market, but it has a low growth rate and the lowest price points.

The overall growth of the whiskey market over the last 13 years is shown below, which shows the increase in cases (9 litres or twelve 750ml bottles). The high-end product has the strongest pricing over the period 2010 to 2015.

The whiskey market in the United States.
U.S. Bourbon & Tennessee Whiskey Market

	By 1,000 cases					By Gross revenue in millions					Revenue per bottle			
Year	Value	Premium	High end	Super		Value	Premium	High end	Super		Value	Premium	High end	Super
2002	2,972	4,281	5,576	309	2002					2002				
2003	2,972	4,278	5,823	332	2003	$148	$339	$768	$63	2003	$4.15	$6.60	$10.99	$15.81
2004	2927	4,318	6,237	385	2004	$151	$369	$837	$74	2004	$4.30	$7.12	$11.18	$16.02
2005	2,816	4,388	6,666	431	2005	$145	$380	$938	$84	2005	$4.29	$7.22	$11.73	$16.24
2006	2,633	4,499	7,116	496	2006	$140	$393	$1,020	$98	2006	$4.43	$7.28	$11.94	$16.47
2007	2,619	4,415	7,310	568	2007	$139	$401	$1,079	$112	2007	$4.42	$7.57	$12.30	$16.43
2008	2,642	4,267	7,500	662	2008	$142	$406	$1,142	$134	2008	$4.48	$7.93	$12.69	$16.87
2009	2,808	4,367	7,231	658	2009	$153	$424	$1,115	$137	2009	$4.54	$8.09	$12.85	$17.35
2010	2,778	4,529	7,372	764	2010	$152	$439	$1,154	$161	2010	$4.56	$8.08	$13.04	$17.56
2011	2,717	4,637	7,782	907	2011	$150	$456	$1,272	$194	2011	$4.60	$8.19	$13.62	$17.82
2012	2,796	4,984	8,079	1,019	2012	$157	$499	$1,344	$222	2012	$4.68	$8.34	$13.86	$18.16
2013	3,007	5,048	8,743	1,234	2013	$172	$515	$1,490	$273	2013	$4.77	$8.50	$14.20	$18.44
2014	3,419	5,493	9,244	1,471	2014	$181	$566	$1,611	$325	2014	$4.41	$8.59	$14.52	$18.41
2015	3,301	5,351	9,872	1,843	2015	$192	$556	$1,735	$411	2015	$4.85	$8.66	$14.65	$18.58
Change 2010 - 2015	18.83%	18.15%	33.91%	141.23%		26.32%	26.65%	50.35%	155.28%		6.30%	7.20%	12.27%	5.82%

High end market is the biggest with a 50% plus growth
The product is more affordable than the Super premium market

Wholesalers & Distributors.

In the U.S. all liquor producers have to use state licensed or state owned agencies as distributers. Over time this industry has consolidated into four major companies that generate nearly 60% of the revenue from wine and spirits. Number six, at that time, Wirtz Beverage and number three Charmer Sunbelt united together on 10/20/2015 to become Breakthru Beverages, the third largest distributer. The consolidation of Southern Wine and Glazer's on June 30, 2016 resulted in Southern Glazer's Wine and Spirits becoming by far the largest distributor, being twice the size of number two.

The number of distributors varies in each state with California having the most distributors. However, cases per distributor, and presumably revenue per distributor, are highest in Texas and Florida.

Producers negotiate with distributors within each state (See ESDI web site) and the company has a relationship at the corporate level with some of the major distributors.

Eastside Distilling currently lists on its web site 21 states in which they sell to distributors These include Southern Wine and Spirits (now Southern Glazer's, by far the largest distributer) in 8 states including California, Illinois, New York, and Texas (Glazer's is now Southern Glazer's). This is four out of the top five spirit consuming states. Eastside has announced it is now selling product in Florida which gives it a presence in the top five states.

		Estimated	Revenue		Market share
Wine & Spirit Distributors	States served*		**2015**		
2014 revenue in millions		Offices			
Southern Glazer's	44	139	$15,400		29.23%
Excludes DC, & Canada					
Republic National Distributing	20	42	$7,400		14.04%
Breakthru Beverage	16	40	$6,400		12.15%
Young's Market Co.	9	57	$2,925		5.55%
Johnson Brothers	22	30	$1,250		2.37%
Martignetti Companies	5	N/A	$1,200		2.28%
Allied Beverge Group	1	N/A	$755		1.43%
Fedway Associates	1	N/A	$725		1.38%
Horizon Beverage	5	N/A			
The Winebow Group	16	19	$640		1.21%
Top 8			$36,715		69.68%
Total U.S. market		1423	$52,690		100.00%
Source: Wineindustryinsight.com & industry sources.					
* as of October.2016					

The top ten States in spirit consumption:					
2014					
	Cases	Mkt Share	Growth	No. of	Cases per
	thousands			distributors	distributors
				in 2016	
California	25,718	12.0%	4.2%	139	185.02
Florida	17,024	8.0%	4.1%	50	340.48
New York	13,567	6.4%	4.4%	79	171.73
Texas	12,291	5.8%	3.7%	30	409.70
Illinois	8,751	4.1%	3.7%	65	134.63
New Jersey	7,783	3.7%	4.0%	N/A	N/A
Pennsylvania*	7,422	3.4%	4.2%	N/A	N/A
Michigan*	7,336	3.4%	2.3%	34	215.76
Wisconsin	6,011	2.8%	3.2%	N/A	N/A
Massachusetts	5,926	2.8%	4.4%	29	204.34
Top 10	111,830	52.4%			
U.S. Total	213,420			1,113.00	
Source: winesandvines.com		* are control states			
Source: Beverage Trade Network, Sept. 2015					

INDUSTRY POSITION

ESDI believes it has one of the broadest range of products of any craft spirits company. With its recent expansion Eastern Distilling will be one of the larger craft distilleries. Its broad spectrum of craft spirits sets it apart from much of its competition, and it has marketing agreements with several of the largest distributers, including Southern Glazer's.

According to the trade press [www.thewhiskeywash.com] in April 2016 there were at least a thousand craft distilleries in operation and the number of Distilled Spirits Permits (DSP, the federal permit required to operate a distillery) has risen to 1,825. In 2015 there were close to 400 DSPs issued. The industry has grown from 18 distilleries in 1977, 60 in 2003, 289 in 2010, 760 by the end of 2015 with another 200 under construction. A craft distillery is defined as one that produces less than 100,000 9-liter cases {133,333 750 ml bottles} a year. The ADI (American Distilling Institute) estimates that more than 95% make less than 50,000 cases a year. However, given the strength of the market, many of these are adding capacity. The ADI estimates the current growth rate to be around 30% a year and should result in an 8% market share of all spirit sales within four years. Other sources place the volume growth (cases) at 45% per year. Whiskey represents 37% of all craft labels, followed by gin at 13%. The American Craft Spirits Association is of the opinion that craft distilling is on a steeper growth curve than craft beer was in the 1980s.

Since all spirits are sold through third parties (distributors or state controlled entities), the opinions, and actions, of the distributors are very important. The CEO of Southern Glazer's has stated that craft spirits is a key trend for the future and would definitely be a growth driver for Southern Glazer's.

CRAFT MARKETS & THE SEARCH FOR DIFFERENTIATION

Companies have always tried to differentiate themselves and their products from their competitors. Billions of dollars are spent on brand identities even though there may be no functional difference between products from one company or generic products from large competitors. Marketing departments spend a lot of time trying to segment markets and position themselves and their products in some way to sell goods and services at higher prices.

Segmentation is one type of differentiation. Other ways are perceived quality, flavor or taste. Adding flavor enhancers to foods, olfactory agents to detergents, prettier bottles, colored liquids are all means to appeal to buyers.

One of the first major craft companies to segment its market is Starbucks, the ninth largest beverage company in the world . It was the first coffee producer that sold coffee of different grinds, coffee beans from many parts of the world, and the shops made coffee in machines not found at the usual diner. Starbucks still differentiates its products in more ways than does its competition. The competition was Howard Johnson, and they no longer exist.

The first craft market for distilled spirits was probably the liqueur market, differentiated by flavor over two hundred years ago. Drambuie in 1746; Cointreau in 1888; Metaxa in 1849 and (disputed) Benedictine in 1510 (Source: Wikipedia). These were all small craft distillers based on today's definition.

In more modern times what was probably the first differentiation in the spirits business was the extension of the single malt scotch whisky market. For many years there were only two, Glenfiddich (formed in 1888) and Glenlivet (formed in 1824) and both were 12 year old malts. In the 1990s Glenfiddich introduced extended life single malts, first a 15 year old and then an 18 year old malt. Product extension is differentiation.

Then other single malts appeared using different methods of malting. The water from the local streams is flavored by the peat bogs (peat is sphagnum moss) imparting a local taste.

Beer is not just beer. There is pale ale, lager, stout, mild, lambic, hefeweizer (wheat beer). There is IPA, Imperial Pale Ale, the British standard for beer to be produced for the Indian Army. Guinness made in Dublin (opened in 1778) does not taste the same as that made elsewhere. There are the German standards where the ingredients are tightly controlled, which was the base for the Milwaukee beer industry. All of these beers have different tastes and alcohol contents. There is near beer which has a low alcohol content and malt liquor which is stronger. There are seasonal varieties, and there are craft beers. These, by definition of the Brewers Association, are "small, independent and traditional".

Microbrewing is assumed to have started in the UK in the 1970s, although there have been many artisan brewers in Europe for centuries. The concept spread to other countries and some breweries expanded their capacity and distribution, and the term craft brewing was used to segment the beer market and to differentiate such beers from those produced by the large brewers such as Stella Artois, whose roots go back to the original brewery established in 1366. From this came the small brewery in restaurants and the ultimate in "micro", the brewpub.

Microbreweries compete on the basis of quality, taste and innovation and not on price.

In 1979 President Carter signed a bill to deregulate brewing at the federal level allowing homeowners to brew beer, and some of these expanded to become craft breweries.

In 1979 there were 89 breweries in the U.S. The Brewers Association reported that in March 2013 there were 2,416 breweries in operation, of which 97.7% were ranked as craft breweries. There were also 1,124 brewpubs and over 1,200 other small breweries. By 2015 this had reached 4,225 craft breweries.

However, for the first time, new net openings (openings less closings) declined; from about 600 in 2014 to less than 400 in 2015. It may be that the craft beer market has peaked.

By 2015 the craft beer market had reached $22.3 billion in sales with a market penetration of 12.8%.

Within the "craft' category there are a number of companies that are no longer small. D.G. Yuengling and Son. (established in 1826) had revenue of $1,758 million in 2015 and is the fourth largest brewer in the U.S. and 34th largest beverage company in the world. The Boston Beer Co. (Samuel Adams, often shortened to Sam) is number 44 on the world list and number 5 in the U.S. with revenue of $960 million in 2015.

The craft brewing industry has shown that "craft" is no impediment to growth and size. It is likely that over the same period (1984 to 2015 for the Boston Beer Co.) some of the craft spirits companies can become as successful as the craft beer companies. Penetration of 10% of the U.S. spirits market would be over $2 billion.

VALUATION

There are no U.S. companies in the 15 largest alcoholic beverage producing companies in the world. Even in just the spirits group Brown-Forman Corp. [BF-B $ 46.55] is number 6 in the world and Constellation Brands [STZ $168.60] is number 8. The large cap stock valuations are not really relevant as comparisons for the emerging craft distillers. There are many small craft distillers listed on stock exchanges. There are over 20 companies listed on stock exchanges world-wide with the word "distilleries" in their name. Unfortunately, a lot of them are listed on the Bombay Stock Exchange and data on them is not available. Also there are some micro-cap companies in the wine industry which have been added for the basis of comparison.

Analyst estimates of next 5 year growth in earnings per share for vary from 25% for BREW, 20% for THST and down to 7% for DEO (Diageo.plc). In our opinion ESDI could grow at over 35% compounded over the next five years and the stock deserves a premium valuation to the group.

COMPARISON TABLE	Ticker	Price	Mkt	ROE	P/E	P/E	P/B	P/S	EV/Rev	EV/EBITDA	PEG	Inst.
(Source: Yahoo Finance)		1/19/17	Cap	(%)	L4Q	N4Q	LQ	L4Q	L4Q	L4Q		Ownership %
			(in million)									
Eastside Distilling Inc.	**ESDID**	**$1.90**	**$13.1**	**N/M**	**-0.54**	**-1.28**	**-19.06**	**5.70**	**3.40**	**N/M**	**-0.09**	**N/A**
Brown-Forman Corp.	BF-B	$44.71	$1,740	78.46	16.92	23.41	13.56	5.74	6.32	17.49	4.75	51.5%
China New Bosun Corp.	BORN	$1.35	$35	5.62	2.37	N/A	0.13	0.10	0.04	0.29	N/A	N/A
Craft Brew Alliance Inc.	BREW	$15.18	$292	0.73	281.00	32.29	2.48	1.42	1.56	25.24	5.51	27.1%
Corby Spirit & Wine Ltd.	CBTDF	$16.59	$491	14.15	24.95	N/A	3.71	4.67	4.05	13.28	N/A	N/A
Diago plc.	DEO	$107.33	$68,950	24.31	24.20	18.60	6.34	5.51	6.13	19.59	2.18	N/A
Distil plc.	DIS.L	£1.45	£7.30	N/A	N/A	N/A	293.80	5.55	606.20	N/A	N/A	N/A
Empee Distilleries plc.	EDL.BO	INR 54.95	INR 1,040	N/A	N/A	N/A	0.26	N/A	N/A	N/A	N/A	N/A
Mendocino Brewing Co. Inc.	MENB	$0.18	$2.30	N/A	N/A	N/A	N/A	0.08	0.44	N/A	N/A	N/A
Castle Brands Inc.	ROX	$0.77	$124	N/A	N/A	78.99	6.26	1.87	2.05	69.19	N/A	5.7%
South Beach Spirits Inc.	SBES	$0.000	$0.11	N/A	N/A	Data not available			N/A	N/A	N/A	N/A
Stock Spirits Group PLC	STCK.L	£1.79	£3.47	7.79	2.70	1279.00	95.10	1.21	125.80	577.80	1.22	N/A
Constellation Brands	STZ	$149.30	$29,260	19.46	25.69	19.85	4.18	4.04	5.32	16.10	1.29	87.5%
Truett-Hurst Inc.	THST	$1.80	$13	2.18	33.30	N/A	0.73	0.51	0.70	26.03	N/A	40.6%
Willamette Valley Vineyards	WVVI	$7.94	$40	7.75	22.04	N/A	1.63	2.12	2.00	7.47	N/A	5.1%
Data from Zacks Small-Cap Research; Yahoo Finance; Google Finance and Yahoo UK Finance												
Mean				17.83	43.26	207.27	31.47	2.96	58.77	77.25	2.48	
Median				7.79	23.12	23.41	3.71	2.12	3.40	18.54	1.74	

Given its growth and expanded opportunities in the U.S. and in Canada we feel that a target price of $5.00 a share is reasonable.

RISKS

- Bourbon production, which is a significant portion of Eastside's output, is capital intensive, since all bourbons have to mature in new oak casks. Current cash flow is not sufficient to sustain the current level of operations in 2016, and new capital will be needed. This may cause significant equity dilution to current stockholders. Without new capital the company may have to scale back its operations or even cease to exist.

- The distilled spirits industry is subject to and has to comply with a myriad of jurisdictions laws and regulations at both the Federal and State level. These regulate the production, blending, bottling, labeling, marketing, sales and distribution, advertizing, type of media, transportation and doing business at all levels. Regulations vary from state to state. Companies are required to do business in the U.S. only with holders of licenses to import, warehouse, transport, distribute and sell spirits. These regulations may inhibit the ability of a small company to do business at a profitable level. Complying with the appropriate regulations is an added cost that could be burdensome to a small liquor producer.

- Consumer preferences in liquor differ in different parts of the US. Eastside Distilling's products may not be acceptable in certain large markets, and the company will have to build brand recognition, which will limit growth.

- As an emerging growth company under current government regulations Eastside may issue reduced financial disclosure, which will significantly reduce the ability of financial professionals to estimate the future course of the company.

- The company has no long term contracts with suppliers for raw materials, many of which are agricultural products that are subject to large fluctuations in price and supply. Eastside may not be able to increase its product prices to cover any increased costs.

- Certain states are control states where the state acts as the sole distributor of alcoholic beverages, and they may only be purchased from state owned or state controlled points of sale. These states decide which products may be sold in that state. Eastside is currently authorized to distribute product in five of the seventeen control states. The loss of any of these states, especially Oregon, could have a significant impact on revenue and profitability. A large control state that ESDI does not currently sell to is Michigan.

- The loss of use of the distilling facility from a disaster such as a fire would have a catastrophic impact on the company.

INSIDER TRADING AND OWNERSHIP

Officers and directors, are collectively the beneficial owners of approximately 58% of the outstanding shares of the common stock and have voting power of approximately 52% of all votes on matters to be presented to stockholders as of April 12, 2016.

On Jan.9, 2017 the company added 2.115 million shares through various transactions thereby reducing the ownership of the officers and directors to about 40%

PROJECTED FINANCIAL STATEMENTS

Eastside Distilling, Inc																		
Consolidated Statements of Operations																		
(Dollars in millions except per share data)																		
Fiscal Year Dec.31	2013A	2014A	1Q15	2Q15	3Q15	4Q15	2015A	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017	2018
											Est.	Est.					Est.	Est.
Net sales	$0.74	$1.06	$0.33	$0.30	$0.35	$0.72	$1.70	$0.46	$0.50	$0.61	$1.30	$2.87	$0.76	$0.80	$0.88	$2.08	$4.52	$6.50
% Change													63.97	58.64	44.98	60.00	57.23	43.87
Cost Goods	0.30	0.50	0.22	0.16	0.17	0.33	0.87	0.26	0.27	0.37	0.65	1.55	0.42	0.42	0.44	1.04	2.31	3.29
S.G & A	0.35	1.37	0.99	0.83	1.59	0.97	4.37	1.05	1.31	1.58	1.10	5.05	1.10	1.10	1.10	1.10	4.40	4.40
Op Income GAAP	0.09	(0.81)	(0.88)	(0.69)	(1.40)	(0.57)	(3.54)	(0.84)	(1.08)	(1.35)	(0.45)	(3.72)	(0.76)	(0.72)	(0.66)	(0.06)	(2.19)	(1.19)
Interest Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Op Income	0.00	(3.25)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	(0.00)	0.05	(0.00)	(0.01)	(0.10)	(0.06)	(0.17)	(0.23)	(0.09)	(0.20)	(0.69)	(0.20)	(0.20)	(0.20)	(0.20)	(0.80)	(0.80)
Calc.Pretax	0.09	(4.06)	(0.83)	(0.69)	(1.41)	(0.67)	(3.60)	(1.01)	(1.31)	(1.44)	(0.65)	(4.41)	(0.96)	(0.92)	(0.86)	(0.26)	(2.99)	(1.99)
Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pro-forma adj.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	0.09	(4.06)	(0.83)	(0.69)	(1.41)	(0.67)	(3.60)	(1.01)	(1.31)	(1.44)	(0.65)	(4.41)	(0.96)	(0.92)	(0.86)	(0.26)	(2.99)	(1.99)
Costs and expenses are on a pro-forma basis																		
Net For Common	0.09	(4.06)	(0.83)	(0.69)	(1.41)	(0.67)	(3.60)	(1.01)	(1.29)	(1.46)	(0.65)	(4.41)	(0.96)	(0.92)	(0.86)	(0.26)	(2.99)	(1.99)
Shares Used, millions	1.60	1.67	2.28	2.28	2.29	2.30	2.29	2.33	2.86	4.76	4.78	3.68	6.89	6.89	6.89	6.89	6.89	6.89
Earnings Per Share																		
EPS	$0.06	($2.43)	($0.37)	($0.30)	($0.62)	($0.29)	($1.57)	($0.44)	($0.45)	($0.31)	($0.14)	($1.20)	($0.14)	($0.13)	($0.12)	($0.04)	($0.43)	($0.29)
Pro Forma EPS	$0.06	($2.43)	($0.37)	($0.30)	($0.62)	($0.29)	($1.57)	($0.44)	($0.45)	($0.31)	($0.14)	($1.20)	($0.14)	($0.13)	($0.12)	($0.04)	($0.43)	($0.29)
Gross profit margin	59.12%	53.08%	32.92%	48.19%	52.43%	54.59%	48.86%	44.72%	46.82%	38.88%	50.00%	46.24%	45.00%	48.00%	50.00%	50.00%	48.81%	49.36%
Cases sold [12*750 ml}		6375	1754	1930	2191	4325	10200	3148	3374	3974	7800	18296	5250	5550	6450	12800	30050	44075
ASP per bottle		$13.79	$15.44	$13.14	$13.39	$13.88	$13.91	$12.27	$12.46	$12.73	$13.89	$13.09	$12.06	$12.01	$11.37	$13.54	$12.53	$12.30
Excise taxes paid	$0.14	$0.38	$0.10	$0.12	$0.14	$0.26	$0.62	$0.16	$0.12	$0.19	$0.30	$0.77	$0.19	$0.20	$0.22	$0.42	$1.03	$1.34

© Copyright 2017, Zacks Investment Research. All Rights Reserved.

Eastside Distilling, Inc					
Consolidated Balance Sheet (in $ millions)					
Fiscal Year Dec.31					
	4Q14	4Q15	1Q16	2Q16	3Q16
ASSETS					
Cash & Equiv.	$1.08	$0.14	$0.37	$1.01	$0.40
A/R	$0.14	$0.14	$0.06	$0.27	$0.38
Inventories	$0.38	$0.68	$0.84	$0.78	$0.88
Other	$0.17	$0.16	$0.19	$0.07	$0.07
Total current assets	$1.77	$1.13	$1.46	$2.13	$1.74
Gross Plant	$0.08	$0.11	$0.08	$0.11	$0.10
Acc. Deprn	$0.00	$0.00	$0.00	$0.00	$0.00
Investments	$0.00	$0.00	$0.00	$0.00	$0.00
Intangibles	$0.00	$0.00	$0.00	$0.00	$0.00
Other	$0.19	$0.05	$0.15	$0.05	$0.05
All Assets	$2.05	$1.29	$1.69	$2.28	$1.89
LIABILITIES AND NET WORTH					
Debt Due 1 Yr	$0.00	$0.00	$0.00	$0.01	$0.01
Notes Payable	$0.15	$0.47	$0.15	$0.11	$0.00
A/P	$0.21	$1.30	$0.64	$1.15	$0.81
Taxes	$0.00	$0.00	$0.00	$0.00	$0.00
Other	$0.08	$0.57	$0.10	$0.58	$0.82
Total current liabilities	$0.44	$2.34	$0.90	$1.85	$1.65
Conv. Debt	$0.00	$0.00	$0.00	$0.00	$0.00
L.T.Debt	$0.02	$0.02	$0.02	$0.15	$0.93
Other LT	$0.00	$0.00	$0.00	$0.00	$0.00
Def. Taxes & ITC	$0.00	$0.00	$0.00	$0.00	$0.00
Other	$0.00	$0.00	$0.00	$0.00	$0.00
All Liabilities	$0.46	$2.36	$0.92	$2.00	$2.57
Pref.Stock	$0.00	$0.00	$0.00	$0.00	$0.00
Common Stock	$0.00	$0.01	$0.00	$0.01	$0.00
Surplus	$5.54	$6.49	$5.55	$9.42	$9.91
Retained Earnings	-$3.96	-$7.56	-$4.79	-$9.90	-$11.36
Other	$0.00	$0.00	$0.00	$0.76	$0.77
Treasury Stock	$0.00	$0.00	$0.00	$0.00	$0.00
Net Worth	$1.58	-$1.06	$0.77	$0.29	-$0.69
Total liabilities & stockholders' equity	$2.05	$1.29	$1.69	$2.28	$1.89

© Copyright 2017, Zacks Investment Research. All Rights Reserved.

Eastside Distilling, Inc			
Condensed Consolidated Statements of Cash Flow s			
Fiscal Year Dec.31			
	2014	**2015**	**2016**
			9months
Cash flow from operations:			
Net (Loss) Income	($4.06)	($3.60)	($3.76)
Depreciation & amortization	$0.01	$0.02	$0.36
Amortization of goodw ill			
Stock issued for services			
Stock based compensation			$0.21
Impairment of machinery			
In-process R&D			
Other	$2.97	$2.39	$0.06
Net cash provided by (used in) operating activites	**($1.09)**	**($1.19)**	**($3.13)**
Cash flow from investments:			
Purchase of PP&E	($0.04)	($0.05)	($0.06)
Proceeds from disposal of PP&E			
Other			
Net cash provided by (used in) investing activities	**($0.04)**	**($0.05)**	**($0.06)**
Cash flow from financing activities:			
Proceeds from issuance of common stock	$2.16		$2.65
Proceeds (payment) on lines of credit, net			
Proceeds from debt - related parties			
Proceeds from debt		$0.30	$1.25
Payment on debt - related parties			
Payment on debt			($0.50)
Other	$0.02	($0.10)	$0.04
Net cash provided by (used in) financing activities	**$2.18**	**$0.20**	**$3.44**
Increase (decrease) in cash and equivalents	$1.05	($1.04)	$0.25
Cash & equivalents at beginning of period	$0.03	$1.08	$0.14
Cash & equivalents at end of period	$1.08	$0.04	$0.39

HISTORICAL STOCK PRICE, ADJUSTED FOR 20:1 REVERSE SPLIT EEFECTIVE 10/18/16.



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Ian Gilson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.