October 11, 2019

Zacks Small-Cap Research

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Eastside Distilling, Inc. (EAST-NASDAQ)

Eastside Distilling: Oregon operations achieve positive net income. Rapid growth in RRW pushes case sales to record levels and growth is expected to continue through the fourth quarter 2019. Company looking for new CEO.

In our opinion EAST could grow at over 35% compounded over the next five years. Given the growth in the U.S.A. and Canada we feel it deserves a premium valuation to the group based on forward revenue projections.

Current Price (10/10/19)	$4.49
Valuation	**$8.00**

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 distributers, including two of the largest 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. The relationship with John Rich is driving distributor agreements across the US.

Our current price target is $8.00 a share

SUMMARY DATA

52-Week High	**$8.44**
52-Week Low	**$3.68**
One-Year Return (%)	**-40.8**
Beta	**0.4**
Average Daily Volume (sh)	**28,105**
Shares Outstanding (mil)	**9.2**
Market Capitalization ($mil)	**$4**
Short Interest Ratio (days)	**4.6**
Institutional Ownership (%)	**33.3**
Insider Ownership (%)	**14.7**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/S using TTM EPS	**3.8**
P/S using 2020 Estimate	**1.5**
P/S using 2021 Estimate	**1.1**

Risk Level	**Average**
Type of Stock	**Small-Blend**
Industry	**Beverages**

ZACKS ESTIMATES

Net Sales
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	**$0.61A**	**$0.61A**	**$0.62A**	**$0.78A**	**$2.61A**
2018	**$1.22A**	**$1.53A**	**$1.49A**	**$1.89A**	**$6.12A**
2019	**$3.50A**	**$3.90A**	**$4.45E**	**$6.40E**	**$18.24E**
2020	**$5.03E**	**$5.86E**	**$6.75E**	**$9.74E**	**$27.37E**

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	**-$0.35A**	**-$0.40A**	**-$0.34A**	**-$0.35A**	**-$1.42A**
2018	**-$0.27A**	**-$0.37A**	**-$0.42A**	**-$0.44A**	**-$1.49A**
2019	**-$0.32A**	**-$0.32A**	**-$0.29E**	**-$0.20E**	**-$1.13E**
2020	**-$0.24E**	**-$0.25E**	**-$0.21E**	**-$0.17E**	**-$0.86E**

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

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RECENT NEWS

Steve Shum, the company's interim CEO and current CFO has resigned from Eastside Distilling to become the CEO of another company. The board of directors is looking for someone to become CEO as soon as possible and then they will look for a CFO. Mr. Shum will act as CFO until the filing of the 10-Q for the third quarter.

The sales of Redneck Riviera Whisky reached new highs in 3Q19 at close to 120,000 750 ml bottles and is on track to exceed this in the 4Q19. This compares to just under 10,000 cases in the first six months of this year.

The integration of Azunia Tequila going well and there are signs of some synergy between the new premium products and the traditional Burnside line on a national basis.

The canning operations are expanding its reach to third party distillers and maintaining its high growth rate.

Oregon achieved positive net income during September 2019.

Eastside Distilling has acquired Azunia Tequila from its owners, Intersect Beverage. The cost was one point two million shares depending on certain future revenue projections and capped at a value of $14.7 million. The shares will be issued eighteen months after the closing of the deal (issuance about the beginning of 2Q21)

Azunia produces four premium tequilas; Blanco Organic, Reposada Organic, Anejo and Azunia Black. Revenue for the L4Q ending June 30, 2019 was $3.5 million, up 37% Y/Y, on approximately 13,000 cases. This equates to $22.40 per 750 ml bottle. S. California retail prices are $60 for Anejo and $140 for Azunia Black.

Zacks revenue estimates for Azunia are $6 million in 2020 and $8 million in 2021. Profit margins should be much higher than the current company average.

Azunia's primary sales channel are the on-premise (bars and restaurants) locations whereas Eastside's is the off premise (grocery stores and liquor stores) market. The addition of major, and country wide, points of sale should allow Eastside to sell its Burnside slate of products on a national basis. Eastside, excluding RRW, is strong on a regional basis but needs nationwide distribution.

The premium spirits segment is growing faster than the overall market and premium (and luxury) tequila sectors are the fastest growers of all. This sector, based on Eastside Distilling's published data, is currently close to 30 million 750 ml bottles at an average price of approximately $20 bottle and growing at over 10% a year.

The company announced its earnings on August 14, followed by a conference call. Revenue was slightly below our estimate and, as anticipated gross profit margins on net sales increased from first quarter levels. Operating expenses were much higher than expected.

Management has started to give guidance on near term revenue. Gross sales for the rest of the year are expected to be within the range of$10 to $11 million as compared to our long standing estimate of $4.85 million in 3Q19 and $5.90 million in 4Q19. We expect the canning operations to grow significantly.

EBITDA is expected to grow sequentially in both quarters.

The Redneck Riviera Whisky has propelled Eastside from a regional craft distiller to a national presence, competing successfully with well known nation brands. Over 50,000 (750 ml equivalent) were sold in the 2Q19. Of even greater significance is the surge in sales of Granny Rich Reserve, a premium whisky that is included in the "2020 Survival Kit" a follow-on from the highly successful "2018 Gift down".

John Rich continues to promote his named products across Country radio, social media and national TV. He has taken a major effort to promote his named products well outside his "Redneck Riviera" geographical franchise.

On June 7, 2019 Eastside Distilling announced that it has signed an agreement with Point Blank Distributing in Oregon for the distribution of Eastside's Outlandish CBD containing drinks.

This follows an encouraging response to the initial sampling of the seltzer based drink within Oregon, where hemp based products were legalized in 2014.

Point Blank Distributing is a well known distributer of craft beers and both carbonated and non-carbonated soft drinks as well as health drinks. Outlandish LLC makes no claims to any health benefits for CBD products. The FDA is currently holding public meetings regarding the use of CBD in food products.

Eastside has been authorized by Walmart to offer the Redneck Riviera Whiskey 1.75L bottles (half gallon) for sale in all Walmart stores in the U.S.A.. This is in addition to the distribution of the smaller sizes into 1,206 stores previously announced.

As of May, 2019 Walmart has been reported as having 386 Discount stores, 813 Neighborhood stares and 3,570 Supercentres for a total of 4,769, or 4,563 additional stores [https://www.statista.com].

Distributors and Alcohol State Liquor Commissions (in the 17 regulated States) can now sell to all Walmart stores in the U.S.A.

Eastside Distilling announced it 1Q19 results on May 13, 2019 followed by a conference call.

Revenue was slightly higher than expected ($3.7 million actual versus $3.5 million estimated).

Cost of sales were impacted by the addition of the canning operations of CC+B and the increasing proportion of sales from RRW and Potato Vodka. Raw material costs continue to increase due to increasing costs at their largest raw material supplier. We expect gross margin improvement as the year progresses.

The canning operations are running flat out. Capacity will be added to meet both increasing internal demand and the growing needs of customers. The RTD [Ready to Drink] market is growing rapidly (239,945 cases were co-packed in 1Q19 as compared to 1,428 in 1Q18).

Redneck Riviera Whiskey [RRW] is now available in 46 states. 6,300 cases were sold in 1Q19. The addition of the 1.75 l bottle and the Granny Rich premium whiskey have been well accepted. We expect the growth of RRW to slow down from its current torrid pace as geographical expansion slows.

Eastside Distilling has established a subsidiary, Outlandish Beverages LLC, for the marketing and sale of CBD beverages. As noted below (page 3) CBD beverages is projected to be a large and rapidly growing segment of the beverage market. CBD sale and use is legal in Oregon and Outlandish is expected to introduce three RTD 187 ml cans into this market in 2Q19. These will be soda water, ginger based and quinine based and will be sold through on premises (bars and restaurants) and off premises (liquor stores). Proposed drinks will not contain alcohol.

On May 10, 2019 the company announced the immediate introduction of the award winning lineup of Burnside Whiskey and Bourbon into California. Based on the many wholesale distributors and national corporate retail accounts across the country that carry RRW, and the strong brand awareness of John Rich, the entrance of the Burnside range of spirits is a natural progression towards strong sales in the largest spirit consuming state in the U.S.A..

Doubling up at Walmart! Eastside has announced that Walmart will stock Redneck Riviera Whiskey in another 856 stores across 17 states, in addition to the 350 locations previously announced. Each store will add 24 bottles (750ml) to its inventory effective June 2nd.

We assume that the reception to the prior stocking at Walmart was positive and led to the mandated authorizations to stock RRW in the stores.

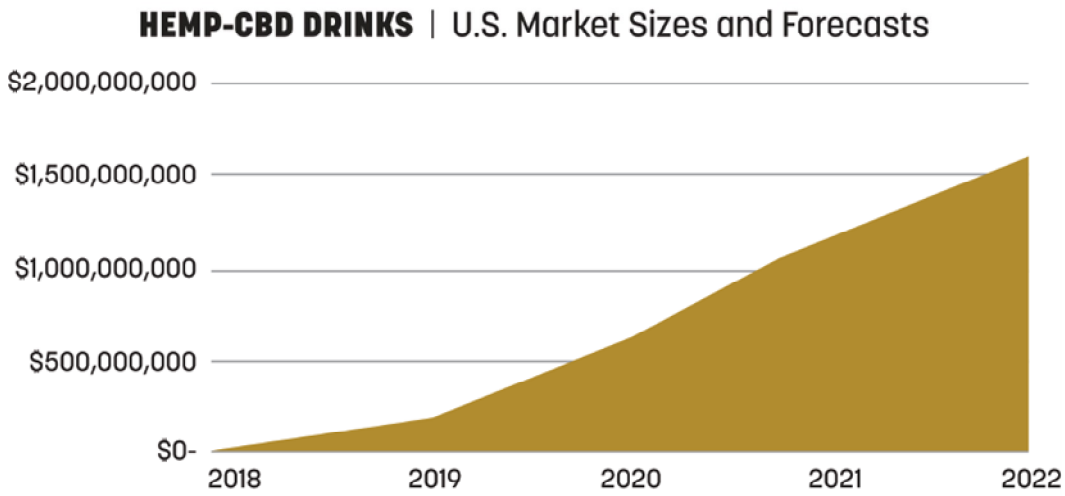
Following its five prestigious wins in the Berlin International Spirits Competition, with a double gold for its Big Bottom Distilling Delta Rye Whiskey, Eastside Distilling garnered 17 medals at the 2019 San Francisco World Spirits Competition. This included another Double Gold for the Big Bottom Delta Rye (following its Double Gold last year), four gold medals, eight silver and three bronze for other spirits. Redneck Riviera Whiskey was a silver medalist.

Big Bottom was named USA Whiskey Distillery of the Year at the Berlin competition.

On the year end conference call Grover Wickersham, Chairman & CEO, mentioned that Eastside is sampling RTD cans containing CBD derived from hemp.

Drinks containing CBD are one of the hottest topics in the spirits industry. CBD infused beverages are expected to be a huge growth area, growing from $12 million in 2018 to $200 million in 2019 and $1.5 billion by 2022.

[https://www.cannabisbusinesstimes.com/article/spotlight-hot-hemp-cbd--products-of-2019/]



In March and April 2019 Eastside Distilling has announced several agreements with major grocery chains in the United States.

These include Albertsons (Safeway, Vons, Pavilions) where nearly 28% (606 stores) of the total store count will carry Riviera Redneck Whiskey (RRW). Albertsons is the second largest grocery company in the United States, after Kroger.

The Company also has an agreement with Kroger (Fred Meyer-QFC) in Washington State.

Overall Eastside has signed up, through distributors, nearly 1,000 stores since March 19, 2019. Momentum tends to feed upon itself and the pull of RRW could lead to the distributors promoting other spirits from Eastside Distilling.

Eastside Distilling announced its year end 2018 results on March 28, 2019. For the full year gross sales increased from $3.8 million to $7.2 million, net sales from $2.6 million to $6.1 million. The net loss increased from $5.3 million to $9.0 million. Net sales for the 4Q18 increased 144% with branded product shipment up 135% driven by Redneck Riviera Whisky, RRW, which was 47% of total branded shipments.

The growth in RRW is unprecedented in the craft spirits business and with the replenishment cycle just beginning we expect growth to continue through 2019. The whiskey is now available in Albertsons, Kroger, Costco and Walmart as well as many regional chains. A larger size bottle will be available this year as well as a RTD version.

The 4Q18 included sales of unwanted inventory at breakeven prices, which depressed margins but freed up cash, and this will benefit gross margins in 2019. We expect margins to improve as the year progresses.

Eastside has started selling RTD (Ready To Drink) drinks within Oregon, including one with hemp derived CBD extract (a white solid nor a dark brown liquid).

In Jan. 2019 Eastside purchased Craft Canning LLC, Craft had 2018 revenue of $6.0 million and was profitable. The merger of the two operations will more than double net sales and both the canning operations of Eastside and Craft will be integrated. Craft is a mobile operator, moving to can at a customer's site but some customers can use Eastside's facilities.

Cutwater Spirits, Miramar CA., a craft distillery was sold to Anheuser-Busch InBev for an undisclosed amount. Cutwater was founded by the founders of Ballast Point Brewing (sold to Constellation Brands Inc., (STZ, $174 in 2015 for $1 billion) and evolved into a 50,000 square foot facility making all the usual spirits and including canning and bottling lines. Annual production was reported to be in excess of 100,000 gallons (source: San Diego Tribune).

Anheuser-Busch stated that " Cutwater's line of canned cocktails was wonderful" This validates Eastside's move into craft canning and the acquisition of Craft Canning = Bottling.

Eastside is shipping a new addition to its portfolio. In conjunction with John Rich it has introduced a premium whiskey "Granny Rich Reserve" which is a blend of aged corn whiskey and aged American malt whiskey.

It has a slightly higher proof, 86, than Redneck Riviera Whiskey which is 80 proof but lower than most premium whiskeys that are 100 proof or more. We have not yet tried it but would expect it to be smoother on the palate than most regular straight whiskeys.

This brand extension is aimed at the same audience as is Redneck Riviera Whisky.

Eastside Distilling has announced that it has requested a license to operate (LTO) from the Ohio Department of Commerce Division of Liquor Control to sell alcohol in Ohio, which is one of the 17 states that control the distribution and sale of liquor.

The company has received a significant number of requests for, and there has been a large amount of social media activity on, Redneck Riviera Whiskey. We expect the LTO will be granted and distribution through RNDC will occur in 1Q19 with some sales in this quarter. The initial emphasis will be in the larger cities in Ohio.

Eastside is not restricted in what products it will introduce into Ohio. This state does not control liquor that is less than 42 proof. This would include RTD canned mixes that Eastside has recently launched in Oregon.

The RTD market is one of the fastest growing segments of the alcoholic beverage industry with a CAGR of over 8%. The company's introduction of its Portland Mule, 250 ml at 21 proof, a blend of Potato Vodka, fresh lime juice with ginger syrup and a little cane sugar plus some added fizz (carbon dioxide) is just one of the many products that could be co-branded for sale in national markets.

The company has announced the acquisition of Craft Canning = Bottling (CC+B) a fast growing, with positive EBITDA, provider of mobile operations. The cost is expected to be $2 million in cash (which EAST has on its balance sheet), assumption of debt of $0.8 million and 338,212 shares of EAST common stock. for an assumed total value of $5.2 million.

Last year CC+B had finished production of more than 17 million cans and revenue in 2018 of about $6 million.

CC+B has a positive (adjusted) EBITDA of $1.2 million and is expected to accretive to EAST's earnings in 2019.

CC+B will combine its operations with those of Mother Lode.

We have adjusted our forecasts to include the operations of CC+B and the additional shares. There are contingency statements that CC+B has to met certain requirements in 2019 and the acquisition price could be adjusted downwards.

Eastside Distilling reported it had sold 3250 cases, which equates to 39,000 kits, of a Redneck Riviera Value Add Pak (also known as "Git Down Kit") prior to Christmas 2018. This kit contains a 750 ml bottle of RRW and two bags of Redneck Riviera Beef Jerky and retails at close to $33 a kit.

The company had intended to sell this through the festive season and into 2019 but the kit was sold out before Christmas. It is possible that, given its popularity, that Eastside would make this a regular item in 2019.

Eastside is selling 1.42 million shares at $6.50 each for a total of $9.2 million before the underwriter’s discount. The breakdown is 1.235 million shares in the deal plus 0.185 million shares in the over-allotment. The new share count is 8.62 million. Closing is expected to be November 23, 2018.

The proceeds will be used to cover expenses from the sale and promotion of Riviera Redneck Whisky and other corporate needs.

We have adjusted our estimates to reflect the increase in shares outstanding but there is no change in our estimates of net income (loss).

Eastside Distilling has announced that Redneck Riviera Whiskey (RRW) will be distributed in Arkansas by Central Distributors and in New York, New Jersey, Massachusetts, Rhode Island. Vermont, New Hampshire and Maine by M. S. Walker.

This brings the tally to 39 states (including D.C.) where RRW is sold.

Third quarter net sales were below our estimates, partly due to a higher than expected excise tax due to changes in where sales occurred (different states have different tax rates). Overall the numbers look very good for the next three quarters.

RRW continues to expand its market presence. It is currently in 30 states through 8 major distributors, 21 major retailers and 4,395 points of distribution and over 1,100 chain-accounts. The points of distribution are expected to grow substantially over the next two quarters.

Eastside Distilling announced the formation on a LLC in Kentucky to capitalize on a relationship with Caudill Seed to provide a domestic (USA) source of CBD [cannabidiol, a non-psychotic product and one of over 110 cannabinoids found in hemp]

When the Farm Bill is passed we expects it to make hemp products legal in the United States. Marijuana has been hybridized for many years (illegally) to increase the concentration of THC and we would expect plants producing higher levels of CBD could be produced without major problems.

The potential market for CBD is unknown but is large. The obvious, and one with potentially early introduction, would be the spirits market. Vodka and gin could be produced, and sold, by Eastside which currently produces flavoured spirits. This assumes, of course, that CBD becomes legal.

The medical markets are also a target for pure CBD oils that are currently produced in somewhat crude form in Asia.

The common stock warrants have now expired. Counting those that had been exercised prior to the call 98.2% of the warrants sold in public offerings of common stock in August 2017 plus warrants included in note sales in the period of March and June 2018 have been redeemed. Gross proceeds of close to $10.6 million have been received.

The company's underwriter for the August 2017 stock offering, Roth Capital Partners, elected to buy 60,000 of their underwriter units and exercise the attached warrants. After all the transactions are included, 7,199,905 total shares are issued and outstanding. We have adjusted our estimates to include all of the new shares.

The Craft Spirits Industry in the U.S. continues to grow, with a CAGR of 30% in retail sales (to $3.7 billion) from 2012 to 2017. Volume grew at a 24% CAGR over the same period (to 7.2 million cases), suggesting that the craft spirits market is a premium product market.

Redneck Riviera Whiskey continues increase its footprint in the U.S. Indiana is now included (state number 29) and Walmart has authorized its sale in its Indiana stores. The distributor RNDC and Big Red Liquors are adding RRW to store shelves as quickly as possible.

John Rich was recently featured in a 5 minute video by Fox News. This episode was about John and the band Big & Rich and their accomplishments. The RRW was highlighted and prominently displayed during the video.

Winn-Dixie, one of the largest grocery chains in Florida and well known as "The Place for Beef" has added RRW in all of its 136 stores throughout Florida. RRW is now distributed in 28 states.

Second quarter gross revenue was $ 1.675 million, as compared to our estimate of $1.656 million. Lower than expected selling prices were offset by higher case sales. RRW sales in 2Q18 were close to those of 1Q18 but the backlog has been building and 3Q18 should show significant growth as RRW is now approved for sale in 28 states. The North Eastern states are underrepresented but additional marketing resources are now available and more states should sign up by year end.

We estimate that RWW could be more than 20% of total net sales in 2Q18.

S.G.&A. expenses increase substantially as the company gears up for increased marketing support outside of the Pacific NW. Since a larger proportion of sales occurred outside of Oregon and were wholesale there was more excise tax but less sales tax so the spread between gross sales and net sales was less than in prior quarters.

The Vodka and Burnside products continue to do well and the single malt whisky has generated much interest. Eastside will probably add non alcoholic mixers later this year.

The canning operations have been strengthened by the addition of more and better equipment and it now has five customers.

Looking into the second half of the year revenue should hold up to the 2Q18 despite the seasonal decline that occurred in prior years.

Given the positive outlook for RRW, additional canning customers and the potential of new products we have increased our target to $10 a share.

Following the recent announcement of Redneck Riviera Whiskey distribution in Iowa, Minnesota and Wisconsin by Johnson Brothers Liquor Company, Eastside Distilling has extended its relationship with Southern Glazer's Wine and Spirits to include Alaska. This just leaves Illinois (#5), New York (#3), New Jersey (#6), Massachusetts (#10) and Pennsylvania (#7) out of the top ten spirits consuming states. The top 10 states consume about 52% of all spirits sold in the U.S.A. and Eastside now has two thirds of the top ten market share.

The Big Bottom American Single Malt has been priced in the High End Premium market at $60 a bottle. The taste profile has been described as being similar to that of the peatless malts of the Bruichladdich type as produced on the Isle of Islay.

Eastside Distilling has announced the introduction of its award winning American Single Malt Whiskey (spelt with an e) distilled by Big Bottom Distilling. The product will be available in limited amounts in Oregon liquor stores as well as in the company's tasting rooms.

American Single Malt Whiskey is similar in nature to Scotch Single Malt Whisky (without the e). This is an ideal market for craft spirits. They are made in relatively small amounts at a single distillery from just one cereal and can be tailored to distinctive flavours and appeal to more affluent markets.

Malting is the process where cereal grains (barley in Eastside's case as well as in Scotch) are partially germinated in water and germination is stopped using hot air. This develops the enzymes that convert the starch into complex sugars. After further processing (Malting) some of the sugars are converted into alcohol.

At this time the U.S. government does not have a classification for American single malts. However, in 2016, the American Single Malt Whiskey Commission was formed to "Establish, Promote and Protect" the new category.

Southern Glazer's Wine and Spirits, the largest liquor distributor in the U.S.A., will distribute RRW in Washington State. They already distribute a number of Eastside Distilling products and have done so for several years. We expect the existing relationship to quickly help position RRW across the state.

Eastside has extended the Burnside family of spirits with the addition of "Burnside Oregon Oaked Rye", a double medal winner and deliveries have started in Oregon and possibly other West Coast States.

Three other country artists, including Gretchen Wilson who wrote the song Redneck Woman with John Rich, have joined in the marketing of RRW and supporting Big and Rich in their efforts in helping veterans families in need.

Eastside Distilling announced its results for the first quarter of 2018 on May 14, 2018 followed by a conference call.

Case sales were slightly above our estimates but a significant increase in price per case drove sales to a record high. The resumption of growth of the Burnside products after rebranding last year continues and sales now exceed the peak reached prior to rebranding. Gross margins

improved versus 1Q17 and 4Q17. We expect gross margins to continue at close to this level for the rest of 2018.

Sales in Oregon continue to grow at an above average rate. Eastside has a good relationship with the liquor commission and Oregon revenue is growing at over 75% monthly Y/Y.

Redneck Riviera Whiskey continues to expand its geographical reach and shipments are being made to major new accounts. Entry into markets with sales to major grocery chains are being followed up by discussions at the corporate level, which could well be points of entry for other products.

At the recent 2018 San Francisco World Spirits Competition Eastside Distilling won 9 medals and Big Bottom Distilling won 5. This included a Double Gold for the Burnside Oregon Oaked Rye whiskey (every judge taste testing it gave a gold rating). The ratings can be part of the labeling (hanging a god ribbon round the neck of the bottle for example) which attracts more attention from the potential buyer)

In the 1Q18 S.G.&A expenses increased due to the addition of several senior people to the management team. This had a significant impact on profitability. Operating losses were in line with our expectations ($1.26A versus $1.25E million).

The new credit agreement will carry a much lower interest rate thereby lowering interest expenses. The excise tax legislation from 2017 had a positive impact and the 1Q18 excise tax rate should continue for the next few years unless legislation is changed.

Bob Dylan has announced the formation of partnership to make whiskey under the name of Heaven's Door. Priced at $49.95 a 750 ml bottle. The first bourbon has received mixed reviews by the press. The partnership is with Marc Bushala who founded Angel's Envy Bourbon that was sold to Bacardi for $150 million in 2015.

Another acquisition was High West's Bourye (a bourbon rye mix), this time by Constellation Brands (STZ, $221.28) in 2016 for $160 million

The number of celebrity spirits now includes George Clooney's Casamigos Tequila (sold to Diego for $4 billion); Jay Z's collaboration with Dusse on Cognac and Diddy Combs with Diago plc on Ciroc vodka and DeLeon tequila. Most of these are premium brands with very high selling prices.

The entertainer Drake and Brent Hocking, an award winning spirits producer (who had founded DeLeon tequila) have collaborated on the production of Virginia Black, an aged bourbon whiskey launched in Sept. 2016. This brand sold over 60,000 9-liter cases in its first 15 months (4,000 cases a month) after its introduction.

On the basis of past acquisitions of craft spirits "labels" $150 million does not seem to be an unreasonable target for a successful craft spirits company.

ABC Fine Wine and Spirits will sell Redneck Riviera Whiskeys in Florida. This s a 52 year old family owned alcohol retailer headquartered in Orlando with over 150 stores. Sales in 2013/14 (last available data) were $500 million. Eastside has delivered close to 100 cases to them. It takes time to deliver, distribute and advertize product but this should have a small but positive impact in 2Q18 and a bigger impact in 3Q18.

Spec's, a large retailer in Texas, now has Redneck Riviera Whisky on the shelves and it is being advertized. It is priced at $23.99 for a 750 ml bottle or $129.54 a case of 6 bottles.

Eastside Distilling has announced that Riviera Redneck Whisky is being distributed by Republic National Distributing Company in Kentucky. This is the 15th state where the whiskey is, or will be, in distribution. This includes a number of "control" states where spirits distribution is controlled by state liquor boards. The controlled states contain about 25% of the US population. The ones that carry Riviera Redneck Whiskey are Alabama, Mississippi, North Carolina, North and South Dakota and Oregon.

The company announced its fourth quarter and full year results on April 02, 2018 followed by a conference call.

Both revenue and earnings were below our estimates mainly due to lower gross and net prices per case than we had anticipated. The rebranding of the Burnside Bourbon line had a larger impact than we had realized and this is one of the most profitable spirits Eastside sells. The MotherLode facility added expenses but no revenue. As a result gross margins were well below our forecast.

Looking into 2018 the news is very good. The Burnside Bourbon line has recovered back to its prior levels (it was responsible for most of the growth in revenue in 4Q17) and is still growing. The potato Vodka continues to do well. Net prices per case are improving both Y/T and sequentially. MotherLode will generate revenue in the 1Q18. All of these factors will improve gross margins.

The new excise tax laws will also have an immediate impact.

As of the beginning of April 2018 Redneck Riviera now has points of sale at retail in 70 cities across the United States. With price points close to $150 a case (9 liters or 12 750 ml bottles). Eastside sold 2,800 cases in the two months it was available in 1Q18. That is a annualized run rate (adjusted for seasonality) of close to 9,000 cases. However, pipeline filling is taking place

and final sell through may not be this high. Other Redneck Riviera spirits may be introduced before year end.

We are looking for record revenue in the first quarter and further increase in 2Q18. The third quarter may show some seasonality in spirits sales but MotherLode may produce meaningful revenue in the second half of the year.

Given the increasing sales growth, improving margins, brand recognition and expanding geographical distribution we are increasing our price target from $8 to $9 a share.

Eastside Distilling and Source Code Beverage will begin canning the full range of Backpack Wines. In 2016 Jim Doehring created Backpack Wine as a brand within Source Code Beverage, Oak Brook, Ill.. By the end of 2017 Backpack wine was available at beverage and grocery retailers in 23 states and also on-line at Vino Shopper. Backpack produced about 20,000 cases of wine in 2017 and expects to grow in 2018.

Distribution has expanded to 30 states and Jim Doehring expects distribution in 40 states by the end of 2018, aided in part by an agreement with Southern Glazer's Wine & Spirits, as well as through its own web site backpack-wine.com. Southern Glazers' is also a major distributor of spirits for Eastside Distilling.

Backpack expects to expand its product offerings by adding other varieties of wines next year. Current wines include Cheeky Rose, Snappy White and Rowdy Red. All are packaged in recyclable 250 ml cans and sold in 4-packs.

New York based market research firm, Nielson, has highlighted the canned wine market as a key trend for 2018. With Y/Y dollar growth of close to 60% for the 52 weeks ending Sept. 30, 2017 the alternative packaging format was the fastest growing sector in the wine and spirits arena.

The MotherLode facility will have start-up costs for both Backpack and Dear Mom (previously announced). However, as more product and (hopefully) more companies use the facility the incremental margins will expand rapidly.

In March, 2018, Eastside Distilling received its first reorders for the Redneck Riviera Whiskey (RRW), which is a very positive sign. The 375 ml size bottle has been slightly more popular than expected in sales so far (but the number is still much less than the 750 ml bottle). For many of Eastside's products the smaller size has slightly higher gross margins.

Eastside believes that the ramp-up in of sales is very encouraging for a newly introduced spirit. The company recently stated that Spec's, the largest retailer of beer, wine and spirits in Texas, is now selling Redneck Riviera Whiskey in some of its 150 locations in Texas.

Southern Glazer's Wine and Spirits, the largest spirits distributor in the US by a factor of 2, will distribute Redneck Riviera Whisky in California, the largest spirit consuming state, using its Walmart team (and others) to reach grocery chains and liquor stores. Southern Glazer's and National Distributing Company (RNDC) are the two largest distributors in the U.S.A..

Southern Glazer's is already a distributor of Eastside 's products and RRW has generated significant interest in California. Shipments will start in March.

We have increased our revenue and earnings forecasts to reflect pipeline (inventory) filing in the first half of this year. We have adopted a conservative stance, after adjusting for seasonality, for the second half and into 2019.

Our published revenue numbers are based on net sales and not gross sales (net sales plus excise and other taxes). Gross sales will be impacted by the decline in excise taxes which is significant in 2018. In prior years excise taxes have been close to 30% of gross sales and will be dropping to less than 10% of gross sales in 2018. Other taxes and incentives are not affected by the Federal change.

Eastside Distilling has announced that its MotherLode subsidiary (acquired in March 2017) and Dear Mom Wine Co., a Portland based producer of premium wines, have agreed that MotherLode will produce canned versions of all Dear Mom's wines in 1Q18.

Dear Mom Wines is a fast growing producer of red, rosé, white and sparkling wines for the Oregon and Washington State markets. Overall the canned wine market has grown at 100% over the last three years. Dear Mom Wines produced 6,000 cases in 2017, its first year of sales, and expects to sell 16,000 cases in 2018.

RNDC is adding N. Dakota, Nebraska and Oklahoma to the states into which it will sell RRW. All in all the RRW looks to be Eastside's best and most widely distributed product.

The quick acceptance of the Redneck Riviera concept could encourage John Rich to add another product to his stable.

Eastside Distilling has announced that Redneck Riviera Whiskey (RRW) is now being distributed in South Dakota by RNDC, who has submitted orders to EAST. RRW is now being shipped into 10 states including Oregon. Eastside expects more distributers to feature the brand in the current quarter.

We are looking for additional sell-through news as distributors place more orders.

Information Resources Inc. (IRI) has released retail sales data for the beverage industry. In the spirits category overall sales for the 52 weeks ended May 14, 2016 volume grew by 5.8% to 54.674 billion cases and revenue increased by 5.1% to $6.93 billion.

The Distilled Spirits Council, Washington, D.C. announced that whiskey sales volume was up 6.8% with revenue increasing by 7.7% in 2016. Overall, dark spirits were the leading spirits. Crown Royal Canadian, with a flavour profile similar t0 RRW, increased in volume by 4.5%.

The company has announced that the impact of the Tax Reform Act was a reduction of $90,000 in taxes paid in January as compared to a year ago. Excise taxes paid in1Q17 were about $175,000.

Redneck Riviera Whiskey will be available in Walmart in Florida, California and Louisiana! Walmart has authorized the sale of the whiskey in stores in two of the three largest states in terms of number of stores (Texas is number 1). Florida had 343 stores and California had 296 out of the 4,953 in the U.S.A. in 2015, the last year for which we can find such data. Louisiana had about 90 stores in 2008. This clears the way for Eastside and its distributors to sell the whiskey to individual Walmart stores within those states.

At the moment Eastside may not have sufficient inventory of the whisky to satisfy the stores stocking requirements or potential demand, but that’s not a bad thing.

Eastside Distilling has announced Republic National Distributing Company (RNDC) will distribute Redneck Riviera Whiskey in Texas, Louisiana, Alabama, Georgia, Florida, Mississippi and North Carolina.

Promotion for the whiskey will be multi city tours by John Rich and local promotions on TV, radio and in print. This is a significant boost in brand identity that will benefit Eastside. It has been announced, and reported by us, that the Redneck Riviera concept can be applied to other spirits such as vodka, rum, and even bourbon. This follow-on cross selling could open up markets for Eastside at a relatively low cost of entry.

The top rated restaurant in Portland, **Q Restaurant and Bar,** has added Eastside's Burnside Bourbon to its spirit selection, joining Portland Potato Vodka, at the bar. **Q** is rated the number one out of 3,350 restaurants in Portland. 83% of the reviews ranked it as five stars overall with a consistent five star ranking of the food.

With the addition of West Tennessee Distributing Co. (WTCD) Eastside now has full coverage of all of the large cities in the state. WTCD covers Memphis and adjoining counties.

Redneck Riviera Whisky will now be available in all "wet" counties (11) in the state, as well as some that are "moist" (70 where sales are allowed in some locations). There are still 14 dry counties, including the county where "Jack Daniels" is made. However, the State law allows distilleries to sell one commemorative product on location regardless of local statutes.

Eastside Distilling has signed an exclusive agreement with Lipman Brothers, the largest liquor distributor in Tennessee. Lipman Brothers is the largest liquor distributor in the state. With headquarters in Nashville and subsidiary operations in Knoxville and Chattanooga (but not Memphis)it has 77% geographical coverage of the state.

Tennessee is a franchise state (no state liquor commission). The three tier market of producer, distributor and retailer enables a rapid response to market needs and changes and Redneck Riviera could be in the retail chain by mid January.

Over the weekend of Jan. 6, 2018 John Rich and Eastside Distilling had a private party at John Rich's home in Nashville TN. This party was the launch of Rich's Redneck Whiskey to the Southeastern US states spirits industry and to the national and regional media. Regional liquor distributors and representatives of national liquor distributors were present.

Guests were entertained by Big and Rich, Avenged Sevenfold and Gretchen Wilson (who sang her signature song Redneck Woman). Sliders and Redneck whiskey were served.

After the prelaunch events and concert in Portland OR by John Rich there has been significant demand for the whiskey in the Eastside Distilling tasting rooms. The company has responded by making the spirit available prior to its official launch schedule in January.

Income from the sale of this whiskey does to Eastside Distilling.

On Jan. 04, 2018 the company changed its ticker from ESDI to EAST.

The tax bill just enacted did contain the tax relief for craft distillers that we had previously discussed. We had adjusted our earnings forecasts based on our sales forecasts and did make minor adjustments for 2018 and 2019. The tax bill provides relief for two years. Our estimates assume the relief will be continue in 2020 and beyond. The reduction is for the first 100,000 proof gallons (one US gallon is 3.7853 liters). This is a little over one million bottles of 100 proof spirits.

On Tuesday Dec. 12, 2017 John Rich and Eastside Distilling hosted a pre-launch meet and greet event at Eastside Distilling's HQ in Portland Oregon.

This included meeting with fans and many media interviews with the press, TV and radio stations. Links to these interviews can be accessed through the company's press release and through Eastside's web site.

The local radio station "The Wolf, KWJK" hosted a charity concert at the University of Portland where John Rich performed.

During a conference call Eastside Distilling management and John Rich outlined the opportunities for the joint venture of Eastside and Rich Marks.

Rich Marks is an established name in the U.S.A. It has a range of products from western boots (California is its largest boot market) to beef jerky sold in over several thousand points of sale (POS) across the SE. They sell apparel and have an on-line presence under RedneckRiviera.com.

In early 2015 John Rich outlined his plans to expand his brand to include restaurants (there are now two, Nashville and Las Vegas) liquor, cigars and other ventures.

Income from the sale of liquors go to Eastside. There are no royalties but John Rich will be reimbursed for out of pocket expenses. The License is for 10 years. After the first three years Eastside must meet certain sales targets.

John Rich is an established Country and Western music star. He has relationships with many retail establishments, including bars, and grocery chains across the SE. U.S.A. Together with Eastside he develop relationships with liquor distributors that go beyond those that Eastside has currently.

The whiskey will be a premium brand product. The flavour profile is expected to be similar to that the best selling Canadian whiskeys. As mentioned in our previous reports the price points for premium whiskeys are in the range of $20 to $30. Crown Royal, for example, is one of the best selling whiskeys in the US and sells for between $25 to $35 per 750 ml bottle depending on the outlet. Crown Royal offers flavoured and premium products at higher prices.

John Rich will advertise the product. There are more Country & Western radio stations across the US than any other genre. Although radio is dying media it still commands a major presence in the SE US. John Rich will use this media, as well as TV stations, to advertise his shows and concerts where he will sponsor the new whiskey.

Branding will be done by Eastside and Sandstrom Partners.

In the near term there does not appear to be any downside to the agreement. There are no up-front expenses, the initial commitment by Eastside is $40,000 a year. We expect market entry in 1Q18.

During the third quarter of 2017 Eastside Distilling shipped a total of 6162 cases of spirits, an 55% increase from last year. This included private label shipments of 700 cases. Without the private label the increase would have been 37% Y/Y.

The change over in bourbon branding and cask maturation as well as dislocations from moving to the new facilities limited the availability of the new bourbons but the popularity of the Portland Potato Vodka had a significant impact on case growth as well as the price realization per case. Vodkas sell at lower priced than other spirits and the gross selling price declined from $200 a case to $145 a case. The new vodka has a higher than average alcohol content (proof), as does the new bourbons, and this increases the tax per case. As a result the net revenue was below our expectations.

The company is redefining its retail presence in Oregon. Many of the mall locations do most of their business in the fourth quarter of the year whereas the expenses occur in every quarter. By eliminating locations during the slack months but opening more kiosks over the Thanksgiving to New Year drinking season overall sales at a much higher margin should ensue.

The new can lines now have the capability of making Ready To Drink cans and all of the necessary government approvals have been obtained. Eastside is now marketing this to potential customers. RDT gross margins are well over 60%.

Eastside Distilling and John Rich (a well known Country and Western singer and composer) have formed a subsidiary, Redneck Riviera Whiskey Co., a LLC in Tennessee. We expect significant news about this combination soon.

A 1,000 cases per month milestone was reached by Portland Potato Vodka in October, 2017, a triple in volume from October, 2016. This vodka is becoming a popular spirit in local bars.

The latest data from The American Craft Spirits Association (ACSA) outlined the continued growth of craft distilling in 2016 and into 2017.

Case volume increased by 18.5% in 2016, to 5.8 million cases. Retail sales grew by 25% to $3 billion. The market share of U.S. craft spirits more than doubled in value, from 1.2% to 3.8%. Exports grew by 8.2%.

More relevant to ESDI is that distillery and tasting room sales 34% of all sales for small craft distilleries whereas for large craft distilleries 58% of their total business was out of state.

The Craft Beverage Modernization and Tax Reform Act of 2017, commonly known as S.236, now has 52 US Senators signed on as co-sponsors. Together with the 281 co-sponsors of the companion bill, H.R. 747, in the House it ensures the passage of tax reform for all three of the major alcoholic groups, spirits, wine and beer.

Effective December 2018 the bill reduces excise taxes on spirits (as produced by Eastside Distilling) to $2.70 per proof gallon (100% alcohol) on the first 100,000 gallons of distilled spirits. This equates to 250,000 gallons of 80 proof spirits. or 1,261,655 bottles of 750 ml. The tax per case will be reduced to $2.43 a case on 100 proof spirits. Eastside Distilling has paid $36 a case or more in the past (average proof is not reported).

So, all of ESDI's production in the foreseeable future will be taxed at the lower rate. Also the tax is applied to product sold and excludes product aging.

This equates to an estimated reduction in payments (expenses) by ESDI of at least $1 million in 2019 as compared to what it would have been under the old regulations. It does not change our estimates of net sales.

The new Burnside Bourbon is now available for sale throughout Oregon including the company's tasting rooms.

Eastside has announced the launch of the Motherlode RTD (Ready To Drink) canning line and the company's series of craft spirits and customized cocktails.

The new line will produce Ball Corp.'s (NYSE: BLL) slim can in various sizes from 187 ml to 250 ml (8.45 fluid oz.). The usual beer can is 12 oz or 355 ml..

The RTD is a fast growing segment for wine and cocktails, providing the customer with a convenient alternative to premixed bottled drinks or the purchase of the various ingredients for mixers.

The canning line should provide Motherlode and Eastside with a new source of revenue from custom canning as well as a outlet for Eastside's broad line of craft spirits.

Eastside Distilling has announced the first deliveries of West End Blend, an American whiskey finished in Oregon Oak. Other whiskeys, bourbons and a rye, all finished in Oregon Oak, will be

introduced later this year. Oregon Oak is a porous wood with a high concentration of a vanilla like flavouring material which imparts a unique flavor to the spirit.

The striking new design of the bottles is a result of the collaboration with Sandstrom Partners, significant shareholder, and we expect the new branding to spread across all of Eastside's products.

When a company sells an underwriting they usually have an option to sell a few more shares (units) if demand and price warrants it. This is an over-allotment option. The underwriters have exercised their option and added 0.18 million units at $4.49 to the recent offering. This will add $0.808 million gross proceeds to the company, raising a total of $6.12 million. We have adjusted our estimate to reflect the additional shares.

Recent data from trade sources show continued above average growth for whiskey with Fireball Canadian up 15% Y/Y; Crown Royal Canadian up 8% and Jack Daniels American up 4.6%

On August 14, 2017 Eastside Distilling reported its 2Q17 results and held a conference call after the close of the stock market.

Case sales increased 46% Y/Y but were below our latest estimate; although six month case sales were in line with our forecast early this year. Revenue after excise taxes increased 32%. Excise taxes, as a percentage of gross revenue, increased to 31.5%, the second highest level over the past three years.

Inventory at the end of the quarter increased by 53% from first quarter levels. Valuation is on the lower of cost or market and is sold on a FIFO basis. The market value of the inventory is much higher than the value on the balance sheet.

Net price per case declined due to promotional discounts on the larger bottles of potato vodka as well as market discounting by competitors in the Oregon market.

Portland Potato Vodka was the big winner in the quarter, and it has continued its growth, up over 62% as compared to August 2016. Brown spirits (bourbon and whiskey) continue to grow on an industry wide basis.

Based on the improved outlook for the third quarter, the influx of cash from the public offering (the conversion of the warrants as the stock price increases should offset the need for cash for more working capital) and pay down of debt we have raised our price target to $8 a share

The company has announced the pricing of underwritten public offering of 1.2 million units consisting of one share of stock and one warrant priced at $4.50 a unit. This will raise $5.4 million before offering expenses. The warrants will have an exercise price of $5.40 and will expire in five years.

This offering will be sufficient for Eastside to be listed on the NASDAQ Capital Market. Such a listing allows the stock to be purchased by money managers without filing a "sophisticated investor" letter and is very positive for the stock.

Eastside distilling, in collaboration with Secret Aardvark, will produce a habaneros infused potato vodka for (initially) limited distribution. This unique combination is an excellent spirit for use in Bloody Mary's. The habaneros is a very hot chili pepper and is a common ingredient in spicy food and sauces. The production of spirits like this is the epitome of the classic nature of craft spirits and should add to the reputation of Eastside and its people.

Mel Heim, Eastside's highly regarded Master Distiller, will hand produce a well known vodka for a local Russian restaurant. The produce will be bottled for Troika Spirits by Motherlode Bottling. The local restaurant, Kachka (Five stars for food and drink on TripAdvisor), has offered many infused vodkas to be consumed in the restaurants but has also sold the Kachka Horseradish Vodka for consumption away from the premises. Kachka needed a specialized distiller to produce higher quantities of the vodka whilst retaining its unique flavor and quality. The agreement illustrates the capabilities of Eastside in producing small batches of craft spirits for the local markets at competitive prices.

Eastside Distilling has completed its planned consolidation of production with the Motherlode facility and will immediately benefit from the reduction in costs. The consolidation will provide Eastside with lower costs and higher throughput including bulk shipment of spirits from the Big Bottom Distillery. Buying materials in bulk at lower unit costs and using more efficient, and less expensive, bottling equipment should have an immediate positive impact on gross margins.

The company has opened a new tasting room (retail outlet) in Bridgeport Village Mall with expanded offerings beyond spirits. The outlet will offer a full complement of Oregon Craft Spirits. which is the company's new retail brand encompassing Eastern Distilling's products as well as Below Deck and Big Bottom's products. The outlet will also sell local cocktail mixers, jellies, caramels as well as the CEO's favorite Secret Aardvaark hot sauces.

Tasting rooms not only allow customers to find spirits they indentify with and then buy but the prices are close to full retail prices. In our opinion, sales in these outlets have the highest gross margins of all the company's sales outlets.

The adoption of a new retail brand identity more closely identifies the company's products with its source (Oregon) and class (Craft spirits) of products making it easier to remember within the distribution network outside of Oregon and surrounding states.

Eastside Distilling has reported that the introduction of (recently acquired) Big Bottom Distilling's product line into the Oregon retail tasting locations has been highly successful. These sales have above average profitability and sales are up over 200% as compared to June of 2016. Management stated that the acquisition should immediately accretive.

On June 12, Eastside Distilling announced that the Directors had approved a 1-for-3 reverse stock split, reducing the share count from 9.94 million to 3.313 million. The impact was a decline in the stock price from $6.00 to $4.50 with unusually high volume. A reverse split, in this case, bring the stock price within the requirements of major national stock exchange, such as NASDAQ. Many institutional money managers will not buy penny stocks that are traded on the equivalent of the "pink sheets". With a listing on a major exchange, for example the NASDAQ, the stock is still available to its existing stockholders as a well as being attractive to the institutional market. The ability to attract capital is easier and an active listing makes transactions cheaper.

On May 15, 2017 ESDI held a conference call to discuss its first quarter results and the progress made to improve its prospects for 2017 and 2018.

Revenue (Net sales of $0.6 million act. versus $0.7 million est.) and net income ($0.9 million loss for both actual and estimate) were in line with our projections. Cases sold made a significant jump to 5,937 as compared to 3,146 a year ago. Much of the gain was due to increased sales of Portland Potato Vodka and private label spirits, both of which are lower priced but have better gross margins than the other products.

The acquisitions of Motherlode and Big Bottom should have a positive impact on gross margins in the second half of this year and through 2018. In the first quarter the company had concentrated its efforts in the Oregon area, where sales grew 30% Y/Y, and has placed more emphasis on special event sales. Moves into Alaska should bolster second half revenue.

Eastside Distilling has acquired Big Bottom Distilling [BBD], a small craft distiller located in Hillsboro, Oregon.

BBD makes and markets a number of award winning craft spirits, including the "Warehouse Series", a boutique line of limited production spirits sold to collectors. Most of the company's products are sold in Oregon, California and Illinois. BBD will continue as a separate entity and will produce spirits in collaboration with Eastside Distilling. BBD will add capacity for ESDI and it can produce innovative products designed by ESDI but based on BBD's product line.

ESDI paid for BBD with 84,286 shares of common stock. Based on the recent prices of the common we estimate that the deal was at about 1.2 times revenue. ESDI is currently selling at close to 6 times revenue.

On March 31, 2017 Eastside Distilling filed its 10K for 2016 with the SEC and held a conference call on April 6, 2017 to discuss the results.

Gross sales declined from the 4Q15 due to a change in strategy made in the 3Q15. Revenue had been driven by volume and it was decided to emphasize higher margined products, albeit at lower price points, such as the popular Potato Vodka. One impact of this change was an increase in excise tax per case as a proportion of gross sales per case. Excise taxes are based on the alcohol content and do not depend on selling prices.

As we had mentioned special event and retail sales declined in 2016 due to fewer tasting rooms. This should reverse in 2017 since new rooms have been added. This revenue carries no distributor costs.

Sales outside of Oregon increased from $0.2 million to nearly $1 million, sales from retail operations declined from $1.3 million to $1.2 million and sales to the Oregon Liquor Control Commission increased from $0.7 to $0.9 million.

The company has announced its first sales in Alaska and we expect continued growth in sales outside of Oregon.

Eastside distilling stated that its ah sufficient cash and cash flow to carry it through the next twelve months. The costs of raising money had a significant negative impact on cash flow in 2016.

The company intends to move its spirits more into the Super Premium sector of the spirits market, with an emphasis on the Potato Vodka and the Burnside Oregon Oaked Bourbon (with a higher alcohol content). Since the company now has bottling capability it can offer private label spirits and small volume seasonal offerings at minimal extra costs and above average selling prices.

Other areas of revenue are e-commerce sales, but there may be legal problems since the laws on wine may not carry over to the spirits world.

Overall we have a positive outlook for increased revenue and declining expenses for 2017 and 2018.

On March 14, 2017 the company announced that it has acquired MotherLode Craft Distillery of Portland, Oregon. Motherlode is a custom bottler and provider of production support to craft distilleries in the Portland area. The founder of MotherLode will join Eastside.

Eastside will relocate most of its operations to MotherLode's facility, which will be expanded to handle large volumes of spirits, including a pneumatic bottling line.

The acquisition will reduce the operation costs of Eastside and will generate additional revenue to the company.

The cost of the acquisition was 260,000 shares of stock, valued at $0.377 million at the time of the purchase. This was about one times 2016 revenue. Eastside's stock is currently selling at close to five times revenue. The cost is expected to be recouped within 18 months.

Eastside Distilling is in the process of negotiating a sublease in a new manufacturing facility. They are expecting to move in no later than the end of June, 2017. The new facility will be leased at a lower cost than the older warehouse.

The company has terminated the old lease at its MLK warehouse. This facility is in an old building that is not capable of taking some of the new equipment needed for increased production at a lower cost. A new bottling line will be installed in the new building and this may not have been permitted in the old warehouse.

On Wednesday. Feb. 8, 2017 Becle S.A.S. de C.V. sold stock in an IPO on the Mexican stock exchange and raised $900 million USD for a market cap. of $6.4 billion . The company is better known as the producer of Jose Cuervo tequila with the largest worldwide market share. Revenue has grown from about $12 billion pesos in 2014 to $18.5 billion pesos in 2016. The issue was oversubscribed, illustrating the public's interest in distilled spirits.

The company has announced that it will double the number of tasting rooms, from two to four, in Oregon. This is important for a number of reasons. Margins are significantly higher since there is no discount to the distributor. This can be seen in the third and fourth quarter financial results in prior years. Tasting rooms are excellent outlets for seasonal spirits and for local varieties that are produced in small quantities. These outlets can be used to gauge interest in small batches of special spirits and can be used to test the interest in a new spirit.

Tasting rooms are very popular during festivals or special events where a lot of people stop and try a sample who would not enter a pub or bar. Venues can be selected based on attendance with a higher ratio of adults that are more likely to imbibe.

Eastside Distilling has hired L&A Social Media to expand its marketing efforts through social media with initial efforts on increasing its exposure to Portland Potato Vodka.

Demand for this unique vodka has grown over 80% over the past year without any express marketing efforts. It has a smooth clean taste without the raw burn that occurs with drinking many other vodka's.

L&A Social Media has worked with both large and small companies in the liquor business and has increased market exposure of such brands as Taittinger Champagne, Drambuie, Reyka Vodka and Russian Standard Vodka. They have worked worldwide in creating value for their clients.

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 (presplit the 1:3 reverse). 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.

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 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

EAST 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 could be used for comparison.

COMPARISON TABLE	Ticker	Price	Mkt	ROE	P/E	P/E	P/B	P/S	EV/Rev	EV/EBITDA	PEG	Inst.
(Source: Yahoo Finance)		10/11/19	Cap	(%)	L4Q	N4Q	LQ	L4Q	L4Q	L4Q		Ownership %
			(in million)									
Eastside Distilling Inc. *	**EAST**	**$4.49**	**$41.3**	**N/M**	**-2.97**	**-4.60**	**2.66**	**3.83**	**3.85**	**N/M**	**-0.06**	**33.7%**
* Adj. for recent stock offering												
Anheuser-Busch InBev SA	BUD	$92.21	$180,370	11.38	24.85	19.21	2.67	3.34	5.43	13.04	1.63	4.6%
Brown-Forman Corp.	BF-B	$63.44	$29,640	54.17	36.92	32.55	18.13	8 .92	9.67	27.50	4.97	51.5%
Craft Brew Alliance Inc.	BREW	$8.41	$164	N/A	N/A	36.57	1.24	0.80	1.13	27.28	16.60	37.8%
Corby Spirit & Wine Ltd.	CBYDF	$13.10	$359	14.52	18.93	N/A	2.68	3.64	3.29	11.31	N/A	N/A
MGP Ingredients, Inc	MGPI	$46.69	$795	19.48	20.83	15.16	3.74	2.09	2.23	14.31	1.20	114.4%
Castle Brands Inc.	ROX	$126.00	$215	61.15	43.45	42.00	17.26	2.41	3.00	60.40	N/A	0.0%
Constellation Brands Inc.	STZ	$194.23	$37,230	6.95	48.64	32.02	3.25	4.53	6.16	16.96	3.72	84.7%
" Priced in Mexican pesos												
Data from Zacks Small-Cap Research; Yahoo Finance; Google Finance and Yahoo UK Finance												
Mean				27.94	27.24	24.70	6.45	2.95	4.34	24.40	4.68	
Median				**17.00**	**24.85**	**32.02**	**2.97**	**3.34**	**3.57**	**16.96**	**2.68**	

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

Despite the growth and expanded opportunities in the U.S. and in Canada for Eastside Distilling the market for small cap stocks appears to be in a negative trend and large cap stocks have been very volatile. We feel that a target price of $8.00 a share is reasonable. The Russell 2000 index was at 1,733 on 09/14/2018 and is selling at 1,468 on 08/14/2019.

We have reduced our price target from $10 to $8 a share.

RISKS

- Bourbon production, which is a significant portion of Eastside's output, is capital intensive, since all bourbons have to mature in 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

Including the holdings of Orca Investment Management (7.12%) directors and executive officers own 14.73% of the stock outstanding.

PROJECTED FINANCIAL STATEMENTS

Eastside Distilling, Inc																		
Consolidated Statements of Operations																		
(Dollars in millions except per share data)																		
Fiscal Year Dec.31	2015A	2016A	2017A	1Q18	2Q18	3Q18	4Q18	2018A	1Q19 Act.	2Q19 Act.	3Q19 Est.	4Q19 Est.	2019 E	1Q20	2Q20	3Q20	4Q20	2020 E
Net sales	$1.70	$2.11	$2.61	$1.22	$1.53	$1.49	$1.89	$6.12	$3.50	$3.90	$4.45	$6.40	$18.24	$5.03	$5.86	$6.75	$9.74	$27.37
% Change			23.84	99.18	152.07	140.94	143.74	134.59	186.64	155.41	198.86	238.80	197.88	43.81	50.40	51.57	52.19	50.05
Cost Goods	0.87	1.28	1.63	0.63	0.76	0.89	1.53	3.81	2.32	2.41	2.76	4.16	11.65	2.62	2.81	3.37	6.14	14.94
S.G & A	4.37	3.88	3.55	1.21	1.50	1.56	1.96	6.23	2.68	3.08	3.00	3.00	11.76	3.00	3.50	3.50	3.50	13.50
Advertizing	0.92	1.24	2.22	0.64	1.07	1.13	1.51	1.33	1.24	1.30	1.30	5.17	1.40	1.60	1.60	1.80	6.40	1.40
Op Income GAAP	(3.54)	(4.30)	(4.79)	(1.26)	(1.80)	(2.09)	(3.11)	(8.26)	(2.84)	(2.83)	(2.61)	(2.06)	(10.34)	(1.99)	(2.05)	(1.73)	(1.70)	(7.46)
Interest Expenses	0.00	0.86	0.23	0.06	0.11	0.54	0.08	0.79	0.11	0.12	0.10	0.10	0.43	0.10	0.10	0.10	0.10	0.40
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	0.00	(0.04)	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	(0.06)	(0.04)	(0.21)	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
Calc.Pretax	(3.60)	(5.20)	(5.28)	(1.32)	(1.90)	(2.63)	(3.19)	(9.05)	(2.94)	(2.95)	(2.71)	(2.16)	(10.76)	(2.09)	(2.15)	(1.83)	(1.80)	(7.86)
Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.35)	0.00	0.00	0.00	0.00	(0.29)	(1.26)
Tax Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.00	0.00	0.00	0.00	0.00	16.00	16.00
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	(3.60)	(5.20)	(5.28)	(1.32)	(1.90)	(2.63)	(3.19)	(9.05)	(2.94)	(2.95)	(2.71)	(1.81)	(10.41)	(2.09)	(2.15)	(1.83)	(1.51)	(7.58)
Costs and expenses are on a pro-forma basis																		
Net For Common	(3.60)	(5.25)	(5.28)	(1.32)	(1.91)	(2.63)	(3.20)	(9.05)	(2.94)	(2.95)	(2.71)	(1.81)	(10.41)	(2.09)	(2.15)	(1.83)	(1.51)	(7.58)
Shares Used, millions	0.76	1.25	3.72	4.92	5.19	6.26	7.20	6.07	9.10	9.14	9.20	9.20	9.20	8.77	8.77	8.77	8.77	8.77
Earnings Per Share																		
EPS	($4.72)	($4.21)	($1.42)	($0.27)	($0.37)	($0.42)	($0.44)	($1.49)	($0.32)	($0.32)	($0.29)	($0.20)	($1.13)	($0.24)	($0.25)	($0.21)	($0.17)	($0.86)
Pro Forma EPS	($4.72)	($4.21)	($1.42)	($0.27)	($0.37)	($0.42)	($0.44)	($1.49)	($0.32)	($0.32)	($0.29)	($0.20)	($1.13)	($0.24)	($0.25)	($0.21)	($0.17)	($0.86)
Gross profit margin	48.86%	39.28%	37.41%	48.52%	49.91%	40.43%	18.90%	37.74%	33.63%	38.05%	38.00%	35.00%	36.12%	48.00%	52.00%	50.00%	37.00%	45.43%
Cases sold [12*750 ml}	10215	15596	23471	8305	18401	13275	18765	58746	270447	356280	331340	414176	1372243	447310	478621	526483	658104	2110518
ASP per bottle	$13.88	$11.26	$9.27	$12.24	$6.91	$9.35	$8.39	$8.69	$1.08	$0.91	$1.12	$1.29	$1.11	$0.94	$1.02	$1.07	$1.23	$1.08
Excise taxes paid	$0.62	$0.93	$1.18	$0.19	$0.15	$0.21	$0.53	$1.08	$0.19	$0.36	$0.40	$0.50	$1.45	$0.50	$0.52	$0.53	$0.61	$2.16

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Eastside Distilling, Inc													
Consolidated Balance Sheet (in $ millions)													
Fiscal Year Dec.31													
	4Q14	4Q15	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
ASSETS													
Cash & Equiv.	$1.08	$0.14	$1.09	$0.88	$1.30	$4.19	$2.59	$1.55	$2.35	$4.86	$10.64	$4.18	$0.77
A/R	$0.14	$0.14	$0.35	$0.36	$0.25	$0.19	$0.32	$0.41	$0.58	$0.73	$1.06	$1.87	$2.21
Inventories	$0.38	$0.68	$0.78	$1.00	$1.53	$2.42	$4.05	$5.31	$7.89	$10.18	$11.02	$11.57	$11.91
Other	$0.17	$0.16	$0.19	$0.15	$0.35	$0.39	$0.65	$0.62	$0.64	$0.48	$0.77	$1.46	$0.69
Total current assets	$1.77	$1.13	$2.40	$2.39	$3.42	$7.19	$7.60	$7.89	$11.46	$16.23	$23.49	$19.08	$15.58
Gross Plant	$0.08	$0.11	$0.10	$0.13	$0.25	$0.47	$0.73	$1.03	$1.31	$1.48	$1.76	$4.80	$5.69
Acc. Deprn	$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
Investments	$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
Intangibles	$0.00	$0.00	$0.00	$0.37	$0.61	$0.60	$0.35	$0.35	$0.34	$0.33	$0.31	$3.09	$2.98
Other	$0.19	$0.05	$0.05	$0.06	$0.23	$0.24	$0.34	$0.38	$0.41	$0.45	$0.80	$2.17	$1.00
All Assets	$2.05	$1.29	$2.55	$2.95	$4.51	$8.49	$9.03	$9.65	$13.52	$18.49	$26.36	$29.14	$25.24
LIABILITIES AND NET WORTH													
Debt Due 1 Yr	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.63
Notes Payable	$0.15	$0.47	$0.01	$0.00	$0.04	$0.04	$0.29	$0.30	$0.44	$0.17	$0.00	$0.58	$0.31
A/P	$0.21	$1.30	$0.46	$0.48	$0.39	$0.52	$1.27	$0.91	$0.72	$1.31	$1.99	$2.06	$1.84
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
Other	$0.08	$0.57	$0.53	$0.21	$0.14	$0.15	$0.16	$0.22	$0.34	$0.19	$0.39	$1.27	$0.56
Total current liabilities	$0.44	$2.34	$0.99	$0.69	$0.57	$0.72	$1.72	$1.43	$1.49	$1.66	$2.37	$3.91	$3.34
Conv. Debt	$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
L.T.Debt	$0.02	$0.02	$0.43	$0.37	$1.89	$1.33	$2.16	$3.39	$7.16	$2.30	$5.23	$6.56	$6.79
Other LT	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1.95	$0.00	$0.00	$0.00
Def. Taxes & ITC	$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	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.71	$0.59
All Liabilities	$0.46	$2.36	$1.42	$1.05	$2.45	$2.05	$3.88	$4.82	$8.66	$5.91	$7.61	$11.18	$10.71
Pref.Stock	$0.00	$0.00	$0.25	$0.05	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Common Stock	$0.00	$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Surplus	$5.54	$6.49	$13.70	$15.57	$17.05	$22.85	$23.22	$24.23	$25.87	$36.51	$45.89	$48.23	$48.75
Retained Earnings	-$3.96	-$7.56	-$12.81	-$13.72	-$15.01	-$16.42	-$18.09	-$19.41	-$21.32	-$23.94	-$27.14	-$30.27	-$33.22
Other	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01	$0.02	$0.02	$0.30	$0.00	$0.00	$0.00	$0.00
Treasury Stock	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	-$0.02	-$0.02	$0.00	$0.00	$0.00
Net Worth	$1.58	-$1.06	$1.13	$1.90	$2.06	$6.44	$5.15	$4.84	$4.86	$12.58	$18.75	$17.96	$15.53
Total liabilities & stockholders' equity	$2.05	$1.29	$2.55	$2.95	$4.51	$8.49	$9.03	$9.65	$13.52	$18.49	$26.36	$29.14	$26.25

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Eastside Distilling, Inc						
Condensed Consolidated Statements of Cash Flows						
Fiscal Year Dec.31						
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
						6 months
Cash flow from operations:						
Net (Loss) Income	($4.06)	($3.60)	($5.20)	($5.28)	($9.05)	($5.89)
Depreciation & amortization	$0.01	$0.02	$0.12	$0.18	$0.36	$0.67
Amortization of goodwill				$0.22	$0.39	$0.01
Stock issued for services				$0.64	$0.41	$0.03
Stock based compensation			$0.27	$0.56	$1.37	$0.36
Impairment of machinery						
In-process R&D						
Other	$2.97	$2.39	($0.14)	($3.34)	($7.41)	($1.36)
Net cash provided by (used in) operating activites	**($1.09)**	**($1.19)**	**($4.95)**	**($7.01)**	**($13.92)**	**($6.18)**
Cash flow from investments:						
Purchase of PP&E	($0.04)	($0.05)	($0.01)	($0.66)	($1.30)	($2.15)
Proceeds from disposal of PP&E						
Other				$0.00		($1.45)
Net cash provided by (used in) investing activities	**($0.04)**	**($0.05)**	**($0.01)**	**($0.65)**	**($1.30)**	**($3.60)**
Cash flow from financing activities:						
Proceeds from issuance of stock & warrants	$2.16		$3.50	$9.89	$16.79	
Proceeds (payment) on lines of credit, net				$2.50		
Proceeds from debt - related parties						
Proceeds from debt		$0.30	$1.41		$7.00	
Payment on debt - related parties				($0.20)		
Payment on debt			($0.14)		$0.04	($0.10)
Other	$0.02	($0.10)	$1.14	($3.03)		$0.01
Net cash provided by (used in) financing activities	**$2.18**	**$0.20**	**$5.91**	**$9.16**	**$23.83**	**($0.09)**
Increase (decrease) in cash and equivalents	$1.05	($1.04)	$0.94	$1.50	$8.61	($9.87)
Cash & equivalents at beginning of period	$0.03	$1.08	$0.14	$1.08	$2.58	$10.64
Cash & equivalents at end of period	$1.08	$0.04	$1.08	$2.58	$11.19	$0.78

HISTORICAL STOCK PRICE ADJUSTED FOR STOCK REVERSE SPLITS



Source: Zacks Investment Research

DISCLOSURES

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