



Empire Global Corp.

**Initiation
Overweight**

EMGL, US
Price: \$1.08

Consumer Discretionary

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Solaris Select, Inc.



Price Performance –Relative to Russell 2000

	YTD	1m	Q3:2014	12m
Abs	54.3%	14.9%	30.0%	42.1%
Rel	59.0%	15.4%	42.2%	32.7%

Initiating at Overweight: Rapid growth in Italian gaming revenues over the next year expected to increase value of the company as it takes advantage of market disruption.

We are initiating coverage of Empire Global Corp. (Ticker: EMGL) with an Overweight rating.

- EMGL is poised for fast growth in both its online and offline gaming operations in Italy. It is acquiring additional points of distribution in both lines of business now, ahead of the time (mid-2016) when the Italian government will disrupt the marketplace with a regulatory change designed to consolidate the industry.
- The company sells games of chance (i.e.: sports betting and casino gambling) via both online website betting and offline through physical land-based locations where customers can place their bets.
- The Italian government will force consolidation of the gaming industry, both online and offline, in 2016. The number of licenses issued to gaming operators will shrink as a result and Empire will be a beneficiary.
- We forecast revenue of \$4.78 million, EPS loss of (\$0.07) and EBITDA of (\$0.61) million in 2015 and revenue of \$11.59 million, EPS loss of (\$0.03) and EBITDA of \$0.89 million in 2016. We value EMGL stock at \$1.50 based on a combination price-to-sales and enterprise value-to-EBITDA target multiples of 1.8 and 14x. We applied these multiples to pro-forma revenue and EBITDA in 2016 of \$25.04 million and \$5.22 million, implying an upside of 39% from the current price. See the valuation discussion below for an explanation of our use of pro-forma figures in this valuation.

Company Data

Price (\$)	1.08
Date Of Price	Oct. 13
52-week Range (\$)	0.35-1.50
Market Cap (\$ mil)	25.13
Fiscal Year End	Dec
Shares O/S (thous.)	23,264

Empire Global Corp. (EMGL; US)

FYE Dec	2014A	2015E	2016E
EPS - Adjusted (\$)			
Q1 (Mar)	0.00A	(0.02)A	(0.01)E
Q2 (June)	0.00A	(0.02)A	(0.01)E
Q3 (Sept)	0.00A	(0.02)E	(0.01)E
Q4 (Dec)	(0.03)A	(0.02)E	(0.01)E
FY	(0.03)A	(0.07)E	(0.03)E
Revenue FY (\$ Mil)	1.74A	4.78E	11.59E

Source: Company data, Solaris estimates.

- EPS above are adjusted to exclude certain non-recurring items
- Numbers may not add up due to rounding.

See page 28 for important disclosures.

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**Empire Global Corp.
(EMGL)
Overweight**

Investment Thesis

Empire Global Corp. is a licensed gaming operator that provides a variety of games of chance to the gaming public in Italy. Empire offers wagering both online through its websites and offline in locations via two different types of storefronts. Empire holds licenses with the Italian government permitting it to operate gaming. Essentially, Empire operates a casino without the extra overhead – no hotel, restaurants or bars, parking garages, live entertainers, or any other accoutrements of a casino – just the gambling itself. The company also is a licensed online lottery retailer.

Empire is in the Right Place, Right Time. Empire is poised to grow fast in the Italian gaming market as the market undergoes a major disruption in the middle of 2016. Empire Global currently has sufficient license authority, and expects to keep its licenses as government action disrupts the market place for gaming operators. The company expects to expand its footprint and revenues as a result of this disruption, and believes it's on track to become a top 10 online gaming operator in Italy by FY 2016.

Online Licenses Will Consolidate in 2016. The Italian government has issued two different series of licenses for online gaming in the past. The first series, issued in 2006, expires on 6/30/16. The government is canceling these and they won't be renewed, although it is *possible* the government might relent and allow an extension until 2021. It's important for Empire that this series be canceled, since the government issued close to 65 of these licenses. The second series was issued in 2011 and there were only 30 of these (including one issued to Empire's subsidiary) and these remain valid until 2021 at which time we expect them to be renewed. We expect this market consolidation will benefit Empire.

Offline Licenses Will Also Consolidate in 2016. Offline (or land based/location based) gaming is conducted in Italy under two series of licenses (referred to as "Monti" and "Bersani"). On June 30, 2016 the Italian government will merge these two series into one new series, in a bid tendering process. The rules for tendering bids to operate land based gaming establishments are purposefully being made harder, and weaker players will drop out of the business. The number of licensed *operators* of locations will shrink, as may the number of *locations*. We expect Empire will add locations as a result of this process which should enable it to grow revenues materially.

The online gaming industry is undergoing consolidation. We are seeing a consolidation trend in the online gaming industry. Recently, Paddy Power Plc (PAP-LSE), a land based and online gaming company based in Dublin agreed to merge with Betfair Group Plc (BET-LSE), an online only gaming firm listed in London to create the world's largest publicly listed online gaming company. Previously, Ladbrokes Plc (LAD-LSE) agreed to acquire Gala Coral Group in a £2.3 billion deal that seeks to expand their business online. Also, Bwin.party Digital Entertainment PLC (BPTY-LSE) is the subject of a takeover battle between 888 Holdings PLC (888-LSE) and GVC Holdings PLC (GVC-LSE), which at present GVC appears to be winning. Over time we expect regulation will drive a need for scale to meet increasing cost structures.



Empire has margin expansion opportunities. Looking further ahead in time, Empire has opportunities to expand its profit margin.

- 1) As the company adds more online café locations to its portfolio it will not require any additional personnel to manage the increased volume. The company will also develop additional internal synergies, while consolidating overhead costs and developing a recognizable brand.
- 2) Empire outsources the network operation of its online business with a third party for data network services – essentially all the IT needs of running a gaming site in Italy. As critical mass is reached management believes it can launch its own data network (buy or build) and cut its contracted fees significantly. At its current size Empire could save \$200,000 to \$300,000 per year.
- 3) The company expects to increase the percentage of revenue deriving from sports betting, which is higher margin than other product lines, such as poker, which is being de-emphasized. We expect sports betting to grow from about 25% of revenue to 60-70% in the coming years.
- 4) Also, the company is investing in an improved mobile application to enhance the bettors' experience.

As the company consolidates other online and offline operations, it will also acquire key industry personnel as part of its strategy.

The company is poised to become a major player in the online gaming industry. The successful execution of its current acquisition plan will enable Empire to become a top 10 gaming operator in Italy, which is the 4th largest gaming market globally. This, along with rolling out its own network infrastructure will place it in a strong position to take advantage of other emerging opportunities including liberalization of the online gaming market in the United States.

Acquisition arbitrage will create value for shareholders. Empire Global is buying retail distribution in the form of web-café space (online business) and corner and agency locations (land based business). The sellers of these businesses will not survive the coming disruption in mid-2016, so therefore their current gaming operation is a wasting asset. Sellers will be lucky to get much more than 1X EBITDA from Empire for their operations (land based) and will get next to nothing up front for their web-based business. The EBITDA Empire generates we expect will get capitalized by the market at normal market rates, at least 8 to 10X EBITDA. Thus Empire can add value to the company just by buying revenue/profits at extremely low prices and earning profits which the market will pay a fair price for.



Company Description/History

Empire Global was incorporated in the State of Delaware on August 26, 1998 as Pender International, Inc. On September 30, 2005 the company changed its name to Empire Global Corp. Empire entered the gaming market in Italy via acquisitions on August 15, 2014 and January 1, 2015.

Although the company is incorporated in the United States, its operating subsidiaries are currently all in Italy. The company maintains its CEO in Toronto, Canada, and has in-country management stationed in Rome, Italy.

On August 15, 2014 Empire acquired Multigioco Srl, an Italian corporation, entering the web-based (online) gaming market in Italy. (Gioco is Italian for game.) Multigioco's license entitles it to operate games of chance online via its websites. Customers can place wagers online via Multigioco's websites from their home computer, via hand-held device, or in one of many cafés around Italy in which Multigioco has the rights to place computer terminals for the purpose of accepting bets. The café distribution market is important because internet access for home computing is not as ubiquitous in Italy as in North America. Multigioco had 850 café locations at date of acquisition.

On January 1, 2015 Empire acquired, through Multigioco, Rifa Srl, an inactive Italian gaming company with a Monti (land-based) gaming license and one inactive Agency Concession right (defined below). Also on January 1, 2015 Empire acquired the gaming assets of New Gioco Srl, which included a Bersani license (also a land-based license), and three Corner Concession rights as well as one Agency Concession right. These two acquisitions positioned the company to compete in the Italian gaming industry in the off-line arena. The company also acquired the tradename New Gioco, which has since been trademarked with the Italian Ministry of the Economy and Finance.

Empire is the parent company to Multigioco, which is the primary operating subsidiary. We use both names interchangeably in this report, but we mean the same thing either way.

Since then, the company has continued to expand its footprint, contracting for additional café locations for its online business, and acquiring additional corner and agency concessions in its offline/land-based business:

- 1) On June 9, 2015 the company opened a new Agency location in North Rome (Greenfield start-up) using the Monti license acquired in the Rifa deal.
- 2) On July 10, 2015 Multigioco acquired the rights to five (5) Bersani licensed corner locations. On August 6th the Italian gaming regulator approved the acquisition of 3 of these 5 and the final 2 in September 2015. The company paid €80,000 for the purchase of the 4 corner locations completed.
- 3) On August 7, 2015 Empire announced Multigioco signed a letter of intent to acquire Alea Srl, an Italian corporation, and its Monti license #4522, along with 10 land-based Agency locations in the Campania region of Italy. Purchase price is €450,000 paid €50,000 at closing, five installments of €60,000 each and a final payment of €100,000. The agencies generate approximately €3.5



million in annual gaming turnover. (See Revenue Model section for the definition of turnover and other terms.)

- 4) On August 10, 2015 Multigioco acquired another 180 sports bet centric web-shop gaming locations. These locations have approximately 2,000 online gaming accounts. Integration of this acquisition is expected to be completed by the end of September 2015.
- 5) On September 15, 2015 Multigioco signed under contract up to an additional 200 web-shop gaming locations. These locations generate largely sports betting revenue and have approximately 5,000 online gaming accounts. Integration of this acquisition is expected to complete by the end of October 2015.
- 6) On October 1, 2015 the company announced it signed a non-binding letter of intent with an unnamed gaming operator in Italy. This acquisition target operates over 2,000 web café locations and a majority interest in a small number of agency locations. Total turnover of the acquisition is approximately €200 million, with net profits after tax of approximately €2 million. The proposed purchase price is five times net income, payable in cash and Empire stock. This is a higher valuation for online business acquisitions than noted above, due to the large size and profitability of the operation. The founder/key employee of the seller will join the management and board of Empire. Closing is estimated around year-end December 31st.

We cannot over emphasize the importance of the most recent acquisition. Prior acquisitions had put the company on a trajectory to quickly reach €100 million turnover. This acquisition will effectively triple that figure.

The company is poised to acquire the rights to additional locations in anticipation of the June 30, 2016 bid tendering deadline. It had expected to have 1,800 to 2,000 web cafes set up to offer its online business (currently 1,230), and operate 180 to 200 offline corners and agencies (combined). The October 1st announcement indicates the company will have a retail distribution network of over 3,700 total online and offline locations after that acquisition closes. The company is now in a strong position from which to acquire additional locations, especially rolling up many smaller operators, who again will want to find a home for their business before time runs out next June.



Gaming Industry in Italy

Gaming in Italy operates under regulatory authority granted by the Amministrazione Autonoma Monopoli dei Stato (“AAMS”) now known as the Agenzia delle Dogane e dei Monopoli (Customs and Monopolies Agency). AAMS has granted separate licenses to gaming operators for both online (web based) and offline (land based/location based) gaming. Italy is estimated to be the fourth largest gaming market in the world, generating approximately €88.5 billion in turnover in 2014 while contributing around €8 billion to the Italian budget. An operator of gaming in Italy must of course be licensed.

There are two types of online licenses. The first series, issued in 2006, expires on 6/30/16. The government is canceling these and they won't be renewed, although it is *possible* the government might relent and allow an extension until 2021. It's important for Empire that this series be canceled, since this will hasten the consolidation of the industry.

The second series was issued in accordance with the Comunitaria Act of 2010. This new series was issued in 2011 and is called a Gioco a Distanza (GAD) license. Importantly, there were only 30 of this series of license issued (including one to Multigioco, number 15133). The GAD licenses expire in 2021. Management expects operators in good standing will be able to renew their licenses in 2021.

When a customer wants to gamble in an online setting they need to set up an account, and provide their government ID number. So online betting **cannot** be done anonymously. However, offline (land based) betting can be accomplished anonymously which is considered walk-in traffic.

In Italy the top 10 online operators account for 75% of the market revenue. Customers skew 70% male/30% female.

There are approximately 3,000 to 4,000 web-shop locations operated by unlicensed proprietors. We expect many of these marginal unlicensed operators will get shut down and taken over by larger firms consolidating the good locations.

Offline (land based/location based) gaming can be conducted in two types of location: Agencies (Arcades) and Corners. An **agency/arcade** business (Negozio Sportivo) is a dedicated gaming establishment where at least 70% of the floor space has to be gaming related. No food or beverage is allowed to be sold inside an agency, although food (e.g.: free coffee) can be given away. There's typically a separate cage for holding cash. For some of its agencies the company has a lease on the property. For others, there are separate proprietors and Multigioco just contracts with them to install its product. Table poker and other physical games require an additional license, which Multigioco does not participate in. Multigioco's agency locations generally have TVs displaying odds, physical slot machines, and PCs. Agencies also sell lottery and scratch tickets. Bettors can place bets and receive payouts right there in the store in cash.

A **corner** establishment (Punto Sportivo) is where a business which is unrelated to gaming (tavern, coffee shop, bakery, gas station, convenience stores) accepts bets at its sales counter using a terminal



connected to the AAMS network, similar to how lottery tickets are sold in North America. The gaming operator (Multigioco) pays a fee/commission to the owner of the establishment for hosting the gaming in their location. No more than 30% of the square footage of the store can be occupied by gaming activities.

Land based gaming also has two series of licenses outstanding. The government plans on merging all land based licenses into one new series, in a bid tendering process on 7/1/2016. The current license series are referred to as "Monti" and "Bersani" (both former Prime Ministers). The new license series is likely to be called "Renzi" after the current PM.

Any land based license holder already approved by AAMS is eligible to tender for the new series of Renzi license. The license will allow an operator to operate as many corners and agencies as they request, but the licensee must tender for a specific number of locations. The licensee may only operate as many locations as they successfully tender for.

Currently there are about 6,000 agency/corner locations operating under approximately 218 licensed concessionaires in Italy, the greater majority of these are not expected to survive the license tender in June 2016.

The government is trying to "cull the herd" of licensees, and so has established certain requirements which will make it harder for small operators to stay in the business. These requirements include:

- 1) All operators must have a minimum of 10 locations. Currently there are numerous operators with one or two locations in an unrelated business who set up a portion of their storefront for gambling.
- 2) For each location a licensee wants to operate, the licensee must post either a bid bond, or a cash deposit equal to the license fee for *each location*. The previous time tenders were made each location was priced at an average fee of €45,000 (paid up front; amortized over 10 years). Management expects tenders to average at least €50,000 each in 2016. Just ten locations alone will require €500,000 of cash or bonding capacity just to bid.
- 3) AAMS will require that your principal line of business be gaming. There are many professionals who acquired licenses in the past but who are really in another line of business. This requirement may preclude them from continuing in the gaming trade.

Burdensome insurance requirements will present an additional hurdle to marginal competitors.

When licensees bid for locations at next year's tender, they have to specify how many locations, and how much they are willing to pay as an upfront fee. They are free to bid for as many as they think they can profitably manage. However, they don't have to specify where those locations are going to physically be. The locations can be declared after the bidding is over. Later on, operators can even move a gaming operation from one location to another if they think it's beneficial. But, once the government allocates a number of locations to each bidder, that's all the locations each bidder gets



from the government. A licensee is stuck with only that many locations it can legally operate; it can't buy any more from the government. But it can buy location rights from other licensees; M&A after the tender process is a distinct prospect.

The new licenses will expire after 10 years in 2026. There may or may not be a tender competition for licenses in future renewals; the purpose of the 2016 tender is to reduce the number of licensed operators to a more professional group. Exactly what happens in 2026 is a risk all market participants must endure.

AAMS will set the number of land based licenses it will grant in next year's tender. The last time AAMS took tenders for licenses, they made available 15,000 locations, and received bids for approximately 8,000. We do not know how many locations AAMS will allow next year. Each bid is for a one time purchase, and the government takes down the bid monies right away. Operators do not have to bid the same price for each location. For example, if an operator wants to bid for licenses on 100 locations, they might consider some of their prospective locations more attractive (this is, after all, retail selling) so they might bid more for their best spots, knowing their ROI will justify bidding higher. Say they bid \$60,000 for their best 33 locations and \$50,000 for another 33, and \$40,000 for another 34 locations. AAMS will draw the line as to how many licenses they want to issue, and what minimum bid amount qualifies to get a location right. So if AAMS were to receive 8,000 bids at over \$70,000 each, the bidder in this example would wind up with zero locations. But if the 8,000th highest bid is only \$35,000, then our bidder in this example would receive licenses for 100 locations. So the key is to have good locations identified which will justify a competitive bid price.

Gaming Taxes in Italy

AAMS assesses taxes on sports betting based primarily on the turnover (gross amount wagered). The tax rate is 4.5% of the turnover. There is movement to change the tax method to assess a tax rate on the gross gaming revenue (turnover minus winnings paid out). While not enacted yet, the tax rate being discussed is 20%, which would translate to 3.6% of turnover (assuming the company retains 18% of the amount wagered times 20% tax). This too would represent a margin enhancement to the company. Tax rates on other types of betting vary, but again Empire is targeting sports betting to generate around 60-70% of its business in the near future. The company remits gaming taxes monthly to the Italian government.

Empire's strategy in the online gaming business.

Empire is expanding its footprint in the online gaming business by acquiring additional web shop gaming arcades situated in the highest grossing gaming regions in Italy. Empire's online business specializes in the sports betting vertical.



These arcades are locations where Italians go to surf the web, play non-gambling games, and socialize. They are an obvious point of sale for online betting. Bettors who do not have internet access at home can use one of Multigioco's computers at the arcade, or they can bring their own laptop and gain Wi-Fi access to the web. In either case, the customer logs into one of the company's website to place their bets. In addition to this point of sale, customers can log-in at home, or by using a mobile app. The company's goal is to acquire as many of the most desirable web-shop locations as quickly as possible.

As stated above, Multigioco's online license does not expire until 2021, but the number of licenses issued by the government should decline significantly in the middle of 2016.

Multigioco operated 850 web based cafes points-of sale when it was acquired in 2014. On August 10, 2015 it acquired another 180 sports bet centric online gaming locations. These locations have approximately 2,000 online gaming accounts. On September 17, 2015 the company acquired another 200 sports centric online gaming locations. On October 1, 2015 the company announced a non-binding letter of intent to acquire a gaming operator of over 2,000 web-shop café locations (along with a small amount of land based locations). This last acquisition is expected to close by December 31, 2015. We estimate that, along with smaller sized acquisitions still to come, the company will have online gaming turnover of over €340 million annually with improved margins expected. We expect Multigioco to acquire additional web based cafes over the next couple years.

Multigioco Srl operates multiple websites in Italy accepting bets from the gaming public. Multigioco outsources the network operation of its websites to an Italian firm, Microgame Spa. Microgame provides turnkey service to Multigioco. Microgame provides and operates all aspects of the company's online gaming including: servers, routers, software development (for the Multigioco branded website operations), sportsbook trading, telephone betting, licensing, website hosting, payment solutions, security, and the first line of gaming customer support needs.

Microgame has over 650,000 accounts open with the gaming public, representing 25 dealers, of which Multigioco is just one. Microgame is controlled by private equity investors led by Texas Pacific Group.

See >> <http://www.microgame.it/it-IT/home.aspx>

Multigioco uses the brand name NEW GIOCO to face the customer. The company's gaming offerings are available under contract through its web-based platform serving players directly under the branded website www.newgioco.it, including three landing pages, including multigioco.it and sbancatutto.it (focused on poker), and adgame.it (focused on sports betting), and three white-label websites: online.giocoeguadagno.it and articpoker.it (focused on betting shops) and lovingbet.it. It also operates www.originalbet.it.

Multigioco has contracted with Microgame to develop its phone based mobile app online product.



Empire's Strategy in land based gaming and the 2016 Land Based Bid Tender

Management believes that in Italy gaming is a socially driven activity and customers choose to migrate to locations where they have built a social circle. Empire Global believes the key to long term success in Italy is to seize profitable high traffic locations ahead of the 2016 license tender. Thus the company's President, Alessandro Marcelli is on the ground in Italy evaluating target locations. Since the land based gaming business is essentially a retail business, location is a key to performance.

Empire currently operates land based gaming under two licenses, #4583 (Agency) and #4070 (Corner) types. Come July 2016 Empire will require only one license covering all its locations. Empire currently operates 10 locations: 2 agencies and 8 corners, and has acquired the rights for 10 additional agencies which will become operative once regulatory approval is obtained.

Many smaller operators with decent locations will not bid in the upcoming tender. Empire is identifying these operators in geographies it considers desirable, and is negotiating to take over their business before July of 2016. The logic is to grab a desirable location now, and gain a firsthand understanding of the profitability of the location so that Empire knows how much it can afford to bid to keep that location. Empire is bidding to buy these businesses, because that's what they are buying, a business (which is co-located inside another business, if it's a corner), today for below 1x EBITDA, and settling if need be for paying around 1.25 to 1.5x EBITDA. These are businesses which will disappear come July, so sellers are motivated. In many cases the corner gaming location is owned by the owner of the host shop within which it operates, and Empire will have an ongoing relationship with the shop owner.

Empire has a pipeline of 40-50 corners it may acquire the rights to in the near term. Also, it is negotiating with one company in particular which has the rights to over 100 locations. That company, located in the Campagna/Napoli region, overspent when they acquired some 80 locations and now is unable to put up the cash or bond to bid in the next years tender, and so it is a motivated seller.

Empire has lined up bonding capacity in anticipation of next year's bid tender as well as a bank line with its current bank in Rome for \$3 million. Management intends to target bidding for approximately 150 to 200 locations next year. We expect this number to remain fluid as management sizes up its opportunities.

As stated above, governmental pressure on land based gaming operators will increase. On July 6, 2015 the company announced its subsidiary Rifa Srl, which operates the land based business, received ISO 9001:2008 Quality Management Certification for its Rifa Srl land based gaming operations in Italy. This certification is a licensing requirement of the AAMS regulator, since the business is handling large quantities of cash. Multigioco's online business does not require such certification, since its network provider, Multigame SpA, is certified, and the money flows through their network.



In Italy the land based gaming trade is dominated by three geographic regions: Milan/Turin, Rome, and Campagna/Naples and that's where the company is focused on adding land based gaming locations.

Multigioco will emphasize corner locations over agencies, because they require much less invested capital and overhead. The "rent" on a corner location is variable; typically Multigioco pays 7-8% of gross gaming revenue to the corner location proprietor to host its gambling terminal.



Competition

Multigioco faces significant competition in Italy in both online and offline gaming to attract gambling customers. In Italy the company faces competition from established direct competitors operating online gambling sites such as GTECH, William Hill, 365sport, bwin, and others, each of which may possess greater market share and financial resources than the company. Further, gaming industry regulation in Europe is always subject to potential changes which could further increase competitive pressure in the Italian market.

In offline gaming, the company anticipates licensing/tendering for approximately 200 land based locations in mid-2016. The overall Italian land based industry can be expected to comprise at least 8,000 to 10,000 licensed land based locations after the 2016 bid tendering is completed; the company will have a relatively low market share by number of locations. In anticipation of the mid-2016 bid tendering process all the significant competitors can be expected to line up their potential locations they want to operate, so competition is expected on location selection as well as attracting bettors.

Also, the Italian market has a non-licensed component to it. The government has been cracking down on these illegal operators, but any remaining illegal operators will detract from the legitimate market size the company competes for.

Italy's regulated gaming industry is autonomous. Therefore, there is no cross-border competition in Italy as all legal operators must be licensed by the AAMS. Any Euro Union (EU) zone or international operator doing business either through a physical location or online gaming website is operating without authorization and are referred to as illegal operators.

Italian regulators have been aggressively challenging any EU based operators with gaming sites in Italy and have recently started cracking down with criminal charges and prosecutions.



Revenue Model

In the online business, customers must establish an account with Multigioco. Customers transfer money into their account electronically, and winnings are deposited back into their account. Betting activity is transparent to the regulator AAMS.

Bets made online at Multigioco's websites flow through the network of Microgame, its third-party network provider, which is responsible for paying out winnings after a game closes. Odds offered the betting public is provided to Microgame by Betradar, an odds making service provider. <https://www.betradar.com/>. Multigioco is responsible for remitting the gaming taxes due AAMS, which it remits monthly. The gross turnover (amount bet) minus the payout of winnings, minus gaming taxes equals net revenue, which is what Empire reports on the top line in its income statement.

Microgame remits net revenues to Multigioco weekly. Multigioco compensates Microgame for its services with a monthly software fee. Also, for specific games on its platform, Multigioco may have to pay a subcontract fee to the publisher of that game.

Web-based betting earns lower margins overall than land-based. It currently runs 1% to 3%, and management expects to expand this to the 3% to 5% range once it can operate its own network infrastructure.

Offline/Land-based gaming requires the customer to visit the company's location – corner or agency, and bet in person (cash or bank card). Customers place wagers at either the cash cage (agency location) or at the main cash register stand (corner location). Bets are placed at a terminal operated by an agency employee or the corner location employee. Bets are processed through a network operated by SNAI SpA (SNA-Milan Stock Exchange) a leading gaming operator in Italy. SNAI operates gaming establishments for its own account, and provides network services to licensee customers such as Multigioco.

Land-based betting generally earns a higher net revenue margin, approximately 10%. Costs are less in the land-based business because, although both businesses use an outside vendor to process all the data, Microgame has much higher security and administrative costs it passes on Multigioco, since customers must register with their government ID number, etc., making online more costly. The land-based business does not require any account number or identifying information. Each bet stands alone, and is a simpler administrative process.

The company stresses sports related betting, which currently makes up about 25% of its turnover. Management expects this ratio to increase to about 60 – 70% as it will push this type of bet. Sports betting carry a higher profit margin than most other types of bets. Sports betting payout varies based on match results, as odds vary significantly from game to game. Generally, the company's sports bet win percentage runs around 18% of the turnover wagered. Other types of betting carry the following profit of gross amount wagered:



- Online slots (random number generated), casino and live casino games are variable, but generally the house retains 3% of gross turnover.
- Land-based slots are of two types – one carries a 5% fixed commission back to the company, and another is variable, at generally 2.5% of the gross turnover wagered.
- Poker – for tournament play, Multigioco receives a variable commission based on market rates determined by the tournament organizer. For cash games, the company retains a variable commission on each hand played.
- Lottery tickets – company receives an 8% fixed commission on ticket sales.
- Bingo – company receives a fixed 18% commission of the gross turnover wagered.

Since the company will stress sports betting and that product carries higher margin, we expect Empire's gross gaming margin will increase as a percent of total turnover wagered. We also expect the company to stress growing the land-based business in the next year from 20 locations to upwards of 200 in 2016, since it too is higher margin. A recently enacted rule change removes the limit on the type of sports bets offered the public. Previously, an operator could only offer a sports bet which was on the list published by AAMS. Under the new rules operators can offer bets on any event they choose, and are not limited by a set number of types of bets allowed. This should enhance Empire's revenue potential in the coming years.

Seasonality – Sports betting shows some seasonality, in that the European soccer leagues get into full swing as the heat of summer fades. The strongest period runs from mid-August or even mid-September through March/April. Thus calendar quarters Q4 and Q1 are expected to be seasonally stronger than Q2 and Q3. Also, the Euro cup championship is played every two years, and the World Cup every four – the next one is in Dubai in 2018. Also, although its common knowledge the gaming business is based on odds that always favor "the house", there is some seasonality to sports betting in that there are a few (say three or four) weekends a year when the highly improbable happens and gaming operators lose in the aggregate against the betting community. This fortunately is not too common and is built into the margin structure of the business.



Key Management

Michele “Mike” Ciavarella – Chairman, CEO and CFO – Mr. Ciavarella was elected Chairman of the Board in June 2011 and has been CEO of Empire Global Corp since 2004. He is based at the company’s headquarters in Toronto, Canada. He serves as one of the three Directors of the Board of Empire Global Corp. He has over 25 years of C-level and senior level management experience, along with practical Six Sigma, S5 and Kaizen lean business process experience.

Alessandro Marcelli – President and VP Operations Italy – Mr. Marcelli has been the COO and Managing Director of Multigioco since 2007. He serves as a Director of Empire Global Corp. He is the son-in-law of Beniamino Gianfelici. He has over 20 years’ experience in the technology industry with a broad range of cross border experience. Mr. Marcelli was formerly a Software Project Manager with NATO, manager of the Vodafone operational & maintenance center in Italy and the COO and Managing Director of New Gioco.

Beniamino (Benji) Gianfelici – Director – Mr. Gianfelici is the founder, Chairman and Director of New Gioco Srl. He has over 25 years of experience in gaming operations in Italy. He serves as a Director of Empire Global Corp. Mr. Gianfelici is the father-in-law of Alessandro Marcelli. Prior to establishing New Gioco, he organized and operated a major construction enterprise which designed, engineered and constructed a number of prominent buildings in Rome, Italy.



Balance Sheet and Capital

Debt structure. At June 30, 2015 the debt structure of Empire Global has multiple components, as described below:

Line of Credit – Empire maintains a line of credit with Banca Veneto for a maximum of €300,000 (\$338,000 at current exchange rate), guaranteed by certain stockholders. Interest accrues at 5%/annum. There is no required amortization, maturity or due date. Balance outstanding at June 20, 2015 was \$95,483.

Debentures – As of June 30, 2015, the company has issued multiple series of Debentures as follows:

- 1) **December 2014 Debentures** – the company issued unsecured debentures to investors with principal of \$150,000, interest at 24% per annum, accompanied by warrants for 15,000 shares at \$1.50 each. Balance at June 30th was \$145,784 net of Original Issue Discount (OID).
- 2) **April 2015 Debentures** – the company issued debentures to two series of investors in April, with a total principal outstanding at June 30th of \$73,496 net of OID, with warrants attached for 4,500 shares.
- 3) **Convertible Promissory Note issued June 18, 2015 to Typenex Co-Investment LLC** – the company issued a convertible promissory note of \$330,000 bearing interest at 10% per annum. Cash advances to the company in consideration of this note are net of a 10% OID. At closing the company received \$100,000, which was net of \$10,000 OID. The company also incurred \$5,000 legal fees which were added to the note balance. The remaining \$220,000 is available to draw in two tranches of \$110,000 each. Concurrently, the investor issued two notes for \$100,000 each payable back to Empire, bearing interest at 8%/annum. (The net result is Empire is paying 2% for its unused borrowing capacity of \$220,000.) The notes are convertible to Empire common stock at \$1.00 per share, or lower if the company's market capitalization falls below \$10 million. No amortization required for 180 days, followed by 15 installment payments, with maturity in March 2017.

Promissory Notes Payable - The company has issued two promissory notes as of June 30th:

- 1) **Promissory Note to 2336414 Ontario** – 2336414 is a Canadian Corporation in Ontario, and is the parent of Paymobile, Inc. The company issued a note to 2336414 for CDN\$500,000, in relation to its investment in Paymobile, a transaction platform. At June 30th the note balance was \$120,855.
- 2) **Promissory Note – Braydon Capital** – On February 13, 2015 the company issued a note to Braydon Capital of \$150,000, bearing interest at 2.0% per month. Maturity was May 15, 2015, unless



extended by mutual agreement. The company and Braydon have agreed to extend this note indefinitely.

Liability in Connection With Acquisition – In connection with the Empire’s acquisition of assets from New Gioco on January 1, 2015 the company incurred acquisition debt to the seller of €450,000. Installment payments of €50,000 are payable. Balance at June 30, 2015 was \$422,811.

Advances From Stockholders – Empire has borrowed funds from shareholders at June 30, 2015 of \$133,012. Interest on these loans is imputed at 5%.

Long-Term Liabilities – Severance – Long term liabilities consists of accrued severance to be paid to employees upon termination.

Chart 1: Debt Schedule at June 30, 2015

Line of Credit - Banca Veneta	\$	0.10
Debtures:		
December 17, 2014 Debtures	\$	0.15
April 2 & 27, 2015 Debtures	\$	0.07
June 18, 2015 Convertible Promissary Note - Typenex Co-Investment LLC	\$	0.03
	\$	0.25
Promissory Note Payable:		
Note Payable- 2336414 Ontario	\$	0.12
Braydon Capital 2/13/15	\$	0.15
	\$	0.27
Liability in Connection w/Acquisition:		
New Gioco Asset Acquisition Debt - 1/1/15	\$	0.42
Advances from Shareholders	\$	0.13
Total Debt Outstanding - June 30, 2015	\$	1.17

Source: Company Filings and Solaris Select Research Estimates.

Subsequent Event – Debt Issued July 2015. On July 9, 2015 the company signed an agreement to issue a convertible promissory note to Tangiers Investment Group. Total principal authorized was \$220,000, bearing interest at 10%/annum, due in 12 months after issue date. Amounts received on the note are net of an OID of 10%. The note is convertible into Empire common stock at the lower of a) \$0.80 per share, or b) 60% of the lowest trading price of the stock for the 20 consecutive trading days prior to the date the investor elects to convert all or part of the note. On July 21, 2015 the investor delivered \$55,000 cash less OID of \$5,000 or net \$50,000 cash.



Warrants. The company has 88,200 warrants outstanding at June 30, 2015. These warrants have an average exercise price of \$1.12 per share, and approximately 2.5 years remaining life.

Stock Options. At June 30, 2015 there are zero stock options outstanding.

Major Shareholders. The company's certificate of incorporation authorizes 80,000,000 shares of common stock. There are 23,264,800 shares outstanding as of 6/30/15. As of the most recent proxy 92.9% of shares were held by the following shareholders.

Chart 2: Major Shareholders

Major Shareholders	Shares	Percent Owned
Gold Street Capital Corp	17,929,360	77.1%
Mississaugas of the New Credit First Nation	2,669,000	11.5%
Beniamino Gianfelici	1,000,000	4.3%
Alessandro Marcelli	20,000	0.1%
Total Major Shareholders	21,618,360	92.9%

Source: Company Filings and Solaris Select Research Estimates.

Michele Ciavarella, CEO of the company, disclaims any beneficial ownership of the 17,929,360 shares held by Gold Street Capital, a corporation owned by his wife, Gilda Pia Ciavarella.

Certain shares of the company's common stock outstanding are restricted, as follows:

Chart 3: Restricted Shares

Number of Shares	Date Issued	Date Restriction Ends	Status
2,669,000	10/16/2014	10/16/2015	
18,000,000	-	-	Rule 144 Stock - held by affiliates

Source: Company Filings and Solaris Select Research Estimates.

No Dividend on Common Shares. The company historically has not paid a dividend on the common shares, and we do not expect it to pay a dividend in the foreseeable future.

Future Share Issuances. We expect as the company approaches the date of the tender next summer it will engage in a larger capital raise to fund the tender costs. Until then we expect the company will raise debt and/or equity



in small sizes as needed to fund its incremental acquisitions. The acquisition announced on October 1, 2015 will entail issuing an unstated number of shares in payment. Also, given the recent pace of acquisition activity, the company may act sooner, in an effort to clean up the balance sheet.

Empire's Shares Trade Over-the-Counter. Empire Global's common shares trade on the OTCQB market. As the company executes on its growth plan we expect management will endeavor to move the trading to the NASDAQ.



Recent Results – 2015 YTD

Revenue for the first six months of 2015 was \$2.18 million. There were no revenues in the first half of 2014. The company reports net gaming revenues as its top-line revenue figure on its income statement.

Turnover, the gross amount wagered, was \$32.6 million. Payouts on winnings to customers were \$29.9 million, 92% of wagers. Gross gaming revenues (turnover minus payouts) were \$2.67 million. Gaming taxes deducted \$489,000 (18.3% of gross gaming revenues) and net revenues were \$2.18 million.

Below is a breakdown of revenue going from turnover to net gaming revenue, by type (online and offline) for the first two quarters of 2015.

**Chart 4: Gaming Revenue By Type – 1H2015
in US\$ Mil.**

	1QA Mar-15	2QA Jun-15
Turnover		
Turnover - Web-Based	16.746	14.495
Turnover - Land-Based	0.635	0.713
Total Turnover	17.381	15.208
Winnings/Payouts to Customers		
Winnings - Web-Based	15.453	13.451
Winnings - Land-Based	0.475	0.536
Total Winnings/Payouts to Customers	15.927	13.987
Gross Gaming Revenues		
Gross Gaming Revenues- Web-Based	1.293	1.043
Gross Gaming Revenues- Land-Based	0.160	0.177
Gross Gaming Revenues	1.454	1.220
Less: AAMS Gaming Taxes	0.235	0.254
Net Gaming Revenues	1.218	0.967

Source: Company Filings and Solaris Select Estimates.

Gross gaming revenues in the online business segment contributed 87.4% of the company's revenue. The offline business accounted for only 12.6% of revenue. We expect the offline contribution to increase as the company adds more corner and agency locations.



Selling costs include fees paid to Microgame to manage the company's websites and commissions paid to the owners of café, corner and agency locations which host the company's gaming. Also the company has leasing costs for some locations where it is a full lessee. It also includes AAMS licensing fees. For the first six months of 2015 selling costs were \$1.6 million, or 73.4% of net revenues.

General and Administrative expenses include management costs in Rome as well as Toronto, and costs related to business development and the acquisitions executed during the period. For the first six months of 2015 G&A was \$1.16 million, or 53.2% of net revenues.

Operating (loss) for the six months was (\$0.57) million, a (26%) margin.

Interest expense was \$0.05 million on borrowed funds, while imputed interest on related party advances were positive but negligible. The company recognized non-operating expense of \$0.95 million for a write-off of deposits made on an acquisition, and a non-material credit for change in fair value of derivatives. There was a small amount of interest income in the first quarter.

EBITDA for the first six months was negative (\$0.34) million.

Pretax (loss) for the six months was (\$0.67) million. The company incurred income taxes of \$0.03 million, due to profitable activities in Italy: operations are in Italy but much of the corporate level expenses are incurred in the United States. Net loss to common shareholders came to (\$0.70) million. The two quarters round up to a loss of (\$0.04) per share.

The company's Italian subsidiaries are liable for income taxes to the Italian government. The parent company, Empire, is liable for United States taxes, net of a credit it would receive for taxes paid in Italy on the same income. In the most recent quarter, Q2:15, the company accrued income taxes on profits earned by the Italian subsidiaries. There was no tax on U.S. level income due to deductions in the U.S. in excess of Italian income. Since it has incurred losses to date, it has accumulated NOLs of \$7 million as of 12/31/14. The company's subsidiaries operating in Italy are subject to a combined rate of 32.32%, composed of IRES (corporate income tax) at 27.5% plus an IRAP (regional production tax) ordinary tax at 4.82% on income reported on their statutory financial statements.



Financial Outlook

We are forecasting revenue for 2015 of \$4.78 million. 2014 was a partial year, which recognized \$1.74 million of revenue. Growth drivers in 2015 include: 1) adding additional web-café locations in the online business, and 2) entry into the offline business via multiple acquisitions, and 3) internal growth in existing online accounts and acquired offline locations.

For 2016, we are forecasting revenue of \$11.59 million, with growth from acquisition of additional online locations (web-cafes) and additional offline corner and agency/arcade locations. These acquisitions are smaller in scale than the large deal announced October 1st. The October 1st 2015 acquisition has NOT been factored into our projections due to the uncertainty of it. The chart below outlines our assumptions for the number of these locations in operation for 2015 and 2016.

Chart 5: Estimated Online Web-Cafes and Offline Corners and Agencies in Operation - Quarterly

Online and Offline Units in operation								
	1Q15	2Q15	3Q15E	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E
Online web-cafes	850	850	850	1,160	1,430	1,630	1,830	1,900
Offline Corner locations	3	3	4	8	28	48	78	108
Offline Agency locations	2	2	3	13	36	36	36	36
Total Offline Locations	5	5	7	21	64	84	114	144
Total Locations Accepting Bets	855	855	857	1,181	1,494	1,714	1,944	2,044

Source: Company Filings and Solaris Select Estimates.

The company reports net revenue after paying out winnings to customers and gaming taxes to the Italian government. Our assumptions for growth in turnover, winnings and taxes are summarized below.

Chart 6: Estimated Turnover, Winnings, Taxes and Net Revenues by Revenue Type – 2015 and 2016 (\$Mil)

	1QA Mar-15	2QA Jun-15	3QE Sep-15	4QE Dec-15	Fiscal 2015E	1QE Mar-16	2QE Jun-16	3QE Sep-16	4QE Dec-16	Fiscal 2016E
Turnover										
Turnover - Web-Based	16.75	14.49	15.30	23.20	69.75	28.60	32.60	36.60	39.90	137.70
Turnover - Land-Based	0.63	0.71	0.87	2.63	4.85	8.00	10.50	14.25	18.00	50.75
Total Turnover	17.39	15.21	16.17	25.82	74.60	36.60	43.10	50.85	57.90	188.45
Winnings/Payouts to Customers										
Winnings - Web-Based	15.45	13.45	14.15	21.46	64.52	26.46	30.16	33.86	36.91	127.37
Winnings - Land-Based	0.47	0.54	0.81	2.43	4.25	7.40	9.71	13.18	16.65	46.94
Total Winnings/Payouts to Customers	15.93	13.99	14.96	23.89	68.76	33.86	39.87	47.04	53.56	174.32
Gross Gaming Revenues										
Gross Gaming Revenues- Web-Based	1.30	1.04	1.15	1.74	5.23	2.15	2.45	2.75	2.99	10.33
Gross Gaming Revenues- Land-Based	0.16	0.18	0.07	0.20	0.60	0.60	0.79	1.07	1.35	3.81
Gross Gaming Revenues	1.46	1.22	1.21	1.94	5.83	2.75	3.23	3.81	4.34	14.13
Less: AAMS Gaming Taxes	0.24	0.25	0.22	0.35	1.06	0.49	0.58	0.69	0.78	2.54
Net Gaming Revenues	1.227	0.97	0.99	1.59	4.78	2.25	2.65	3.13	3.56	11.59

Source: Company Filings and Solaris Select Estimates.



Online and offline gaming are expected to return similar profit margins after paying out winnings, which we are forecasting at 7.5% of turnover.

Selling expenses have been running around 73.0% of net gaming revenues. We expect some synergy on the back of the revenue growth, such that by the fourth quarter of 2016 we forecast selling expenses dropping to 70.0% of net revenue. Selling expenses are thus forecast as growing from \$3.5 million in 2015 to \$8.2 million in 2016. General and administrative expenses are forecast to climb as additional personnel and operating locations are acquired, growing from \$2.4 million in 2015 to \$3.7 million in 2016.

Operations are estimated to produce an operating loss in 2015, (\$1.1) million, shrinking to an operating loss of (\$0.31) million in 2016.

The company is focused on growing its EBITDA. We project it will turn EBITDA positive in the first quarter of 2016, and generate \$0.89 million of EBITDA IN 2016.

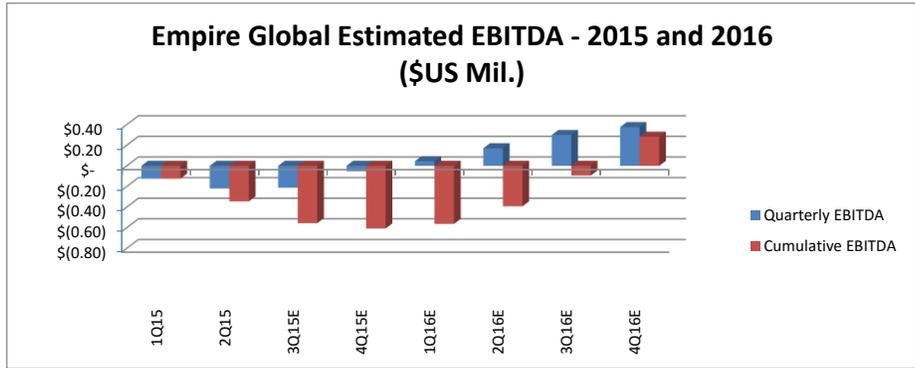
Interest expense will increase in 2015 and again in 2016 due to higher debt levels. We are modeling \$0.15 million and \$0.73 million of interest for 2015 and 2016, respectively. We expect the company will raise equity capital sometime in 2016 to ease the interest burden while also simplifying a complicated debt structure, but we have not included such event in our model due to the uncertainty of timing, pricing and successful execution.

Pretax results of operations projects to a loss of (\$1.33) million in 2015 and a loss of (\$1.05) million in 2016. Taxes for 2016 are forecast at 35% which include income taxes paid in Italy. Net loss to common shareholders is estimated at (\$1.48) million for 2015 and (\$0.68) million in 2016.

We are using a diluted share count of 23.3 million for 2015 and 2016. Diluted loss per share is projected at (\$0.07) and (\$0.03) for 2015 and 2016 respectively.



Chart 7: Estimated EBITDA – Quarterly and Cumulative - 2015 and 2016



Source: Company Filings and Solaris Select Estimates.



Valuation

Empire Global Corp is a very small but fast growing company which will undergo a lot of change in the coming year. We are using valuation metrics of Price-to-Sales and Enterprise Value-to-EBITDA to estimate a value of the shares today.

Below is a chart of some of Empire's industry peers and their present valuation based on recent results, compared to Empire's valuation using today's price and 2016E's projected results. We then compare to Empire's results on a pro-forma basis as if it completed the anticipated acquisition announced on October 1, 2015. We do this comparison because this acquisition will be so material to the company's operation that we believe it should be considered.

As evident from the chart, enterprise value-to-EBITDA multiples vary significantly in the group. We've selected a valuation multiple which splits the difference. Importantly, this company has a relatively stable revenue model built on a government sponsored franchise, a feature which ordinarily gets rewarded with a higher valuation multiple. On a price-to-sales basis, we are using a multiple near the low end of the range of the comparable competitors.

We arrive at pro-forma revenue of \$25.04 million, which is much greater than our actual estimate of \$11.59 million. We get there by adding in the contribution from the acquired web cafes announced October 1st. EBITDA on this basis is estimated at \$5.22 million. We believe once this acquisition closes the market will gravitate to valuing Empire Global on an enterprise value-to-EBITDA basis using pro-forma EBITDA at a 14 times multiple, less projected net debt at the end of 2016 of \$29.08 million, and 29.26 million shares. This results in a value per share of \$1.50. The increased number of shares accounts for our estimate of incremental shares issued as part of the October acquisition. By comparison, EMGL is currently valued by the market at 10.11x EV/EBITDA on this same projected EBITDA.

On a price-to-sales basis, we use a multiple of 1.8 times 2016E's pro-forma revenue of \$25.04 million, to derive a value of \$1.54.

Averaging the two methods comes to \$1.52 which we round down to \$1.50. This implies an upside from the current price of \$1.08 of 39%.

The purpose of our valuation exercise using pro-forma revenue and EBITDA including the acquisition is to demonstrate what we believe is the potential of this company as it executes its aggressive plan over the coming year.

The financial projections at the back of this report do not include any effect from the anticipated closing of the large acquisition announced on October 1st. The discussion of pro-forma results is for illustrative purposes only.

Chart 8: Peer Group Comparable Valuations

Company Ticker Exchange Currency Year End	Paddy Power PAP LSE EURO December	Betfair Group Plc BET LSE £ Sterling - GBp April	GVC Holdings GVC LSE £ Sterling - GBp December	William Hill WMH LSE £ Sterling - GBp December	WITHOUT	WITH
					Oct-15 Acquisition 12/31/16E Empire EMGL OTCQB \$US December	Oct-15 Acquisition 12/31/16E Empire EMGL OTCQB \$US December
Recent Price per share	€ 97.80	GBP 3,103	GBP 415.00	GBP 339.60	\$1.08	\$1.08
Market Cap (000's)	€ 4,499,582	£3,201,291	£344,532	£3,004,441	\$25,126	\$25,126
ENTERPRISE VALUE (000's)	€ 4,615,521	£3,096,191	£330,894	£3,444,141	\$33.47	\$52.81
EBITDA - TTM (000's)	€ 234,169	£120,200	£52,262	£518,100	\$0.89	\$5.22
Enterprise Value/EBITDA ratio	19.71	25.76	6.33	6.65	37.61	10.11
<i>TTM EBITDA Margin %</i>	23.1%	25.2%	21.7%	32.1%	7.7%	20.8%
Net Revenue - TTM AT 6/30/15 (000's)	€ 1,012,908	£476,500	£240,651	£1,612,200	\$11,590	\$25,043
Price to Sales (Mkt Cap/Revs)	4.44	6.72	1.43	1.86	2.17	1.00
Operating Margin - 2014 (EMGL = 2016E)	18.6%	19.8%	19.1%	22.6%	-2.7%	14.2%

Source: Company Reports, Solaris Select Estimates

Investment Risks

History of unprofitable operations. The company has incurred losses throughout its history. This is an early-stage business which is engaging in an aggressive growth strategy over the near term. Failure to succeed in its business plan of growing its land-based gaming operations as well as its on-line operations profitability would result in a material adverse event.

International growth entails unique risks. The company is incorporated in the United States. Its primary operating subsidiaries are located in Italy. Management must hurdle a number of obstacles to profitability because of this international operation, including but not limited to differing regulatory environment in Italy, time zone differences, and language and cultural differences. The company's reporting currency is the U.S. dollar, while the functional currency of its operating subsidiary Multigioco is the Euro. Since the financial statements of Multigioco are translated from Euros to U.S. dollars the company is exposed to translation adjustments.

Need for additional capital. The company will require additional capital to successfully implement its growth plans. Failure to raise such capital, or raising it at disadvantageous terms may result in a material adverse event.

Empire's common stock has recently traded below \$1.00 per share and has low liquidity. This is a "penny stock", and does not trade on a national securities exchange. Further, it trades with limited liquidity. Positions may be difficult to establish or exit without influencing the price. Significant shareholders control over 92% of the shares outstanding, further limiting liquidity. In its pursuit of additional capital to grow the business, management may issue additional shares at prices which might dilute existing shareholders.

Regulation. Empire operates casino type gaming in Italy, and is subject to rigorous regulation and inspection by Italian governmental authorities, and is subject to the overriding influence of EU regulation.

Competition. Empire competes in a very competitive market against companies with greater revenues, market share and capitalization.

Limited life of licenses. The company has a license authority to conduct online gaming under a license which expires in 2021. The company will be tendering for its license to operate offline gaming next year, and that license authority will expire in 2026. There can be no assurance whether the company will be able to renew either of these licenses when they come up for renewal.



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Affiliates, officers, directors, and employees, excluding analysts, will from time to time have long or short positions in, and buy or sell, the securities or derivatives thereof of covered companies referred to in our research reports. Our affiliates, officers, and directors won't execute on any new recommendation or upgrade or downgrade in investment rating until five business days after the dissemination of the report. Analysts are prohibited from buying or selling securities issued by the companies that Solaris Select or affiliates cover.

Ratings

Overweight, the stock should be over-weighted in appropriate portfolios as we expect it to outperform the market or sector.

Underweight, the stock should be under-weighted in appropriate portfolios as we expect it to underperform the market or sector.

Neutral, we feel the stock will perform in line with the market or sector and/or we do not have a strong opinion.

Empire Global Corp.
Quarterly Results & Estimates
U.S.\$ in Millions

	2014 Actual	2015 Estimated				2016 Estimated					
	Fiscal 2014A	1QA Mar-15	2QA Jun-15	3QE Sep-15	4QE Dec-15	Fiscal 2015E	1QE Mar-16	2QE Jun-16	3QE Sep-16	4QE Dec-16	Fiscal 2016E
Net Revenues	\$ 1.74	\$ 1.23	\$ 0.97	\$ 0.99	\$ 1.59	\$ 4.78	\$ 2.25	\$ 2.65	\$ 3.13	\$ 3.56	\$ 11.59
Revenue Growth	nmf	nmf	nmf	49.9%	47.4%	174.3%	83.4%	174.2%	214.4%	124.2%	142.6%
Selling Costs	\$ 1.45	\$ 0.87	\$ 0.70	\$ 0.73	\$ 1.16	\$ 3.46	\$ 1.62	\$ 1.91	\$ 2.22	\$ 2.49	\$ 8.24
General & Administrative	\$ 0.89	\$ 0.58	\$ 0.59	\$ 0.60	\$ 0.65	\$ 2.41	\$ 0.81	\$ 0.84	\$ 0.94	\$ 1.06	\$ 3.66
Total SG&A	\$ 2.34	\$ 1.45	\$ 1.29	\$ 1.33	\$ 1.81	\$ 5.87	\$ 2.43	\$ 2.75	\$ 3.16	\$ 3.56	\$ 11.90
SG&A Margin	134.4%	117.9%	133.3%	133.3%	113.9%	122.9%	108.1%	103.8%	101.0%	99.8%	102.7%
EBITDA	\$ (0.50)	\$ (0.12)	\$ (0.22)	\$ (0.21)	\$ (0.05)	\$ (0.61)	\$ 0.04	\$ 0.17	\$ 0.30	\$ 0.38	\$ 0.89
Operating Profit	\$ (0.60)	\$ (0.22)	\$ (0.32)	\$ (0.33)	\$ (0.22)	\$ (1.10)	\$ (0.18)	\$ (0.10)	\$ (0.03)	\$ 0.01	\$ (0.31)
Operating Margin	-34.4%	-17.9%	-33.3%	-33.3%	-13.9%	-22.9%	-8.1%	-3.8%	-1.0%	0.2%	-2.7%
Interest Expense	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.15)	\$ (0.11)	\$ (0.16)	\$ (0.21)	\$ (0.25)	\$ (0.73)
Interest & Investment Income	\$ 0.01	\$ 0.02	\$ -	\$ -	\$ -	\$ 0.02	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Derivative Liabilities	\$ 0.00	\$ (0.00)	\$ 0.00	\$ -	\$ -	\$ (0.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Imputed Interest on Related Party Advances	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Allowance for Deposit on Acquisition	\$ (0.66)	\$ (0.04)	\$ (0.05)	\$ -	\$ -	\$ (0.09)	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment on Investment	\$ (0.88)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pretax Income	\$ (2.17)	\$ (0.27)	\$ (0.40)	\$ (0.37)	\$ (0.29)	\$ (1.33)	\$ (0.30)	\$ (0.26)	\$ (0.24)	\$ (0.25)	\$ (1.05)
Total Income Taxes	\$ 0.01	\$ -	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.15	\$ (0.10)	\$ (0.09)	\$ (0.08)	\$ (0.09)	\$ (0.37)
Net Income	\$ (2.17)	\$ (0.27)	\$ (0.43)	\$ (0.41)	\$ (0.37)	\$ (1.48)	\$ (0.19)	\$ (0.17)	\$ (0.16)	\$ (0.16)	\$ (0.68)
Shares for Basic EPS	20.094	21.23	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26
Shares for Diluted EPS	20.094	21.23	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26	23.26
EPS Basic from Continuig Ops	\$ (0.11)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)
EPS Diluted from Continuing Ops	\$ (0.11)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)
<i>Earnings Growth</i>	<i>0.0%</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>84.0%</i>	<i>41.3%</i>	<i>58.4%</i>	<i>63.1%</i>	<i>62.1%</i>	<i>56.1%</i>	<i>53.8%</i>
Adjusted EPS	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.07)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)
<i>Earnings Growth</i>	<i>0.0%</i>	<i>nmf</i>	<i>nmf</i>	<i>nmf</i>	<i>40.7%</i>	<i>-160.0%</i>	<i>54.0%</i>	<i>58.2%</i>	<i>62.1%</i>	<i>56.1%</i>	<i>57.6%</i>



Empire Global Corp.
Balance Sheet
U.S.\$ in Millions

	2014 Actual	2015 Estimated					2016 Estimated				
	Fiscal 2014A	1QA Mar-15	2QA Jun-15	3QE Sep-15	4QE Dec-15	Fiscal 2015E	1QE Mar-16	2QE Jun-16	3QE Sep-16	4QE Dec-16	Fiscal 2016E
Cash & Equivalents	\$ 0.42	\$ 0.17	\$ 0.14	\$ 0.57	\$ 0.18	\$ 0.18	\$ (0.02)	\$ 0.62	\$ 2.29	\$ 1.02	\$ 1.02
Gaming Accounts Receivable	\$ 0.37	\$ 0.37	\$ 0.42	\$ 0.40	\$ 0.55	\$ 0.55	\$ 0.68	\$ 1.16	\$ 1.25	\$ 1.23	\$ 1.23
Deposits on Acquisitions	\$ 0.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid Expenses	\$ 0.39	\$ 0.24	\$ 0.11	\$ 0.15	\$ 0.24	\$ 0.24	\$ 0.44	\$ 0.32	\$ 0.47	\$ 0.53	\$ 0.53
Due From Affiliates	\$ 0.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in Corporate Bonds	\$ 0.39	\$ 0.35	\$ 0.22	\$ 0.22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Assets	\$ 0.02	\$ 0.11	\$ 0.18	\$ 0.10	\$ 0.16	\$ 0.16	\$ 0.20	\$ 0.49	\$ 0.31	\$ 0.36	\$ 0.36
Total Current Assets	\$ 1.91	\$ 1.24	\$ 1.09	\$ 1.45	\$ 1.12	\$ 1.12	\$ 1.29	\$ 2.59	\$ 4.32	\$ 3.14	\$ 3.14
Net Plant, Property & Equipment	\$ 0.02	\$ 0.08	\$ 0.09	\$ 0.13	\$ 0.17	\$ 0.17	\$ 0.21	\$ 0.24	\$ 0.27	\$ 0.30	\$ 0.30
Investment in Non-Consolidated Affiliates	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04
Goodwill	\$ 0.18	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Other Intangibles	\$ 1.98	\$ 2.42	\$ 2.63	\$ 3.08	\$ 4.82	\$ 4.82	\$ 6.81	\$ 8.25	\$ 10.14	\$ 11.31	\$ 11.31
TOTAL ASSETS	\$ 4.13	\$ 4.03	\$ 4.11	\$ 4.96	\$ 6.41	\$ 6.41	\$ 8.60	\$ 11.38	\$ 15.03	\$ 15.05	\$ 15.05
Accounts Payable & Accrued Liabilities	\$ 0.38	\$ 0.41	\$ 0.51	\$ 0.40	\$ 0.64	\$ 0.64	\$ 0.75	\$ 1.40	\$ 1.25	\$ 1.42	\$ 1.42
Gaming Accounts Balances	\$ 0.35	\$ 0.31	\$ 0.26	\$ 0.25	\$ 0.52	\$ 0.52	\$ 0.56	\$ 0.71	\$ 0.78	\$ 1.16	\$ 1.16
Taxes Payable	\$ 0.12	\$ 0.14	\$ 0.26	\$ 0.12	\$ 0.19	\$ 0.19	\$ 0.26	\$ 0.70	\$ 0.38	\$ 0.43	\$ 0.43
Line of Credit - Bank	\$ 0.25	\$ 0.25	\$ 0.10	\$ 0.30	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Debentures	\$ 0.14	\$ 0.14	\$ 0.25	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
Promissory Notes Payable	\$ 0.44	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27
Liability in Connection with Acquisition	\$ -	\$ 0.45	\$ 0.42	\$ 0.78	\$ 2.55	\$ 2.55	\$ 4.63	\$ 6.21	\$ 8.29	\$ 9.69	\$ 9.69
Advances from Stockholders	\$ 0.07	\$ 0.10	\$ 0.13	\$ 0.28	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13
Derivative Liability	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07
Other Current Liabilities	\$ 0.02	\$ 0.01	\$ 0.00	\$ 0.65	\$ 0.03	\$ 0.03	\$ 0.01	\$ 0.01	\$ 2.03	\$ 0.08	\$ 0.08
Total Current Liabilities	\$ 1.78	\$ 2.09	\$ 2.27	\$ 3.40	\$ 5.10	\$ 5.10	\$ 7.36	\$ 10.18	\$ 13.87	\$ 13.92	\$ 13.92
Long-Term Liabilities - Accrued Severance	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
TOTAL LIABILITIES	\$ 1.84	\$ 2.13	\$ 2.32	\$ 3.45	\$ 5.15	\$ 5.15	\$ 7.41	\$ 10.23	\$ 13.91	\$ 13.97	\$ 13.97
Common Stock	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Capital Surplus	\$ 9.53	\$ 9.53	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56	\$ 9.56
Retained Earnings	\$ (7.27)	\$ (7.57)	\$ (8.00)	\$ (8.28)	\$ (8.52)	\$ (8.52)	\$ (8.59)	\$ (8.64)	\$ (8.67)	\$ (8.71)	\$ (8.71)
Comprehensive Income	\$ 0.04	\$ (0.06)	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
TOTAL EQUITY	\$ 2.30	\$ 1.89	\$ 1.79	\$ 1.51	\$ 1.27	\$ 1.27	\$ 1.20	\$ 1.15	\$ 1.12	\$ 1.08	\$ 1.08
TOTAL LIABILITIES & EQUITY	\$ 4.13	\$ 4.03	\$ 4.11	\$ 4.96	\$ 6.41	\$ 6.41	\$ 8.60	\$ 11.38	\$ 15.03	\$ 15.05	\$ 15.05



Empire Global Corp.
Cash Flow Statement
U.S.\$ in Millions

	2014 Actual	2015 Estimated				2016 Estimated					
	Fiscal 2014A	1QA Mar-15	2QA Jun-15	3QE Sep-15	4QE Dec-15	Fiscal 2015E	1QE Mar-16	2QE Jun-16	3QE Sep-16	4QE Dec-16	Fiscal 2016E
Income Before Extraordinary Items	\$ (2.17)	\$ (0.30)	\$ (0.43)	\$ (0.41)	\$ (0.37)	\$ (1.50)	\$ (0.19)	\$ (0.17)	\$ (0.16)	\$ (0.16)	\$ (0.68)
Depreciation and Amortization	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.12	\$ 0.17	\$ 0.49	\$ 0.23	\$ 0.27	\$ 0.33	\$ 0.37	\$ 1.20
Amortization of Deferred Costs	\$ 0.00	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ 0.01	\$ -	\$ -	\$ -	\$ -	\$ -
Stock Compensation	\$ 0.23	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.50	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.50
Non-Cash Interest	\$ 0.01	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ 0.01	\$ -	\$ -	\$ -	\$ -	\$ -
Imputed Interest	\$ 0.01	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Derivative Liabilities	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ -	\$ -	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of Assets - Loss (Gain)	\$ 0.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of Assets - Loss (Gain)	\$ 1.53	\$ 0.04	\$ 0.05	\$ -	\$ -	\$ 0.09	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ (0.27)	\$ (0.03)	\$ (0.14)	\$ (0.17)	\$ (0.07)	\$ (0.40)	\$ 0.16	\$ 0.23	\$ 0.30	\$ 0.33	\$ 1.02
Gaming Accounts Receivable - Decrease (Increase)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ 0.03	\$ (0.15)	\$ (0.20)	\$ (0.13)	\$ (0.49)	\$ (0.09)	\$ 0.02	\$ (0.68)
Prepaid Expenses - Dec (Inc)	\$ (0.01)	\$ 0.15	\$ (0.13)	\$ (0.03)	\$ (0.09)	\$ (0.11)	\$ (0.20)	\$ 0.12	\$ (0.15)	\$ (0.07)	\$ (0.30)
Other Current Assets - Decrease (Increase)	\$ (0.01)	\$ (0.09)	\$ (0.07)	\$ 0.08	\$ (0.06)	\$ (0.14)	\$ (0.04)	\$ (0.29)	\$ 0.18	\$ (0.04)	\$ (0.20)
Accounts Payable & Accrued Liabilities- Inc (Dec)	\$ (0.08)	\$ 0.06	\$ 0.09	\$ (0.11)	\$ 0.24	\$ 0.27	\$ 0.12	\$ 0.65	\$ (0.15)	\$ 0.17	\$ 0.79
Gaming Accounts Liabilities - Increase (Decrease)	\$ 0.00	\$ (0.01)	\$ (0.06)	\$ (0.01)	\$ 0.27	\$ 0.20	\$ 0.04	\$ 0.15	\$ 0.07	\$ 0.38	\$ 0.65
Taxes Payable - Increase (Decrease)	\$ 0.02	\$ 0.03	\$ 0.10	\$ (0.14)	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.44	\$ (0.33)	\$ 0.05	\$ 0.24
Due From Affiliates - Increase (Decrease)	\$ (0.27)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-Term Liability - Increase (Decrease)	\$ 0.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities - Increase (Decrease)	\$ 0.03	\$ (0.01)	\$ (0.00)	\$ 0.64	\$ (0.61)	\$ 0.01	\$ (0.02)	\$ (0.00)	\$ 2.02	\$ (1.95)	\$ 0.04
Operating Activities - Net Cash Flow	\$ (0.61)	\$ 0.06	\$ (0.25)	\$ 0.29	\$ (0.40)	\$ (0.30)	\$ (0.00)	\$ 0.81	\$ 1.84	\$ (1.10)	\$ 1.56
Capital Expenditures	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.05)	\$ (0.05)	\$ (0.12)	\$ (0.05)	\$ (0.05)	\$ (0.05)	\$ (0.05)	\$ (0.20)
Acquisitions	\$ (0.62)	\$ (0.05)	\$ (0.01)	\$ (0.12)	\$ (1.90)	\$ (2.08)	\$ (2.20)	\$ (1.70)	\$ (2.20)	\$ (1.52)	\$ (7.62)
Deposit on Acquisitions	\$ (0.72)	\$ 0.06	\$ (0.15)	\$ -	\$ -	\$ (0.09)	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in Non-Consolidated Entities	\$ (0.88)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-Term Investments - Change	\$ -	\$ -	\$ 0.13	\$ -	\$ 0.22	\$ 0.36	\$ -	\$ -	\$ -	\$ -	\$ -
Investing Activities - Net Cash Flow	\$ (2.21)	\$ 0.01	\$ (0.05)	\$ (0.17)	\$ (1.73)	\$ (1.94)	\$ (2.25)	\$ (1.75)	\$ (2.25)	\$ (1.57)	\$ (7.82)
Sale of Common and Preferred Stock	\$ 2.67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt - Issuance	\$ 0.58	\$ 0.06	\$ 0.27	\$ -	\$ -	\$ 0.33	\$ -	\$ -	\$ -	\$ -	\$ -
Debt - Changes	\$ (0.20)	\$ (0.21)	\$ (0.24)	\$ 0.17	\$ 1.88	\$ 1.60	\$ 2.05	\$ 1.58	\$ 2.08	\$ 1.40	\$ 7.11
Advances from Stockholders, net of Repayment	\$ 0.21	\$ -	\$ 0.07	\$ 0.15	\$ (0.15)	\$ 0.07	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities - Other	\$ -	\$ -	\$ (0.00)	\$ -	\$ -	\$ (0.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities - Net Cash Flow	\$ 3.25	\$ (0.15)	\$ 0.09	\$ 0.32	\$ 1.73	\$ 1.99	\$ 2.05	\$ 1.58	\$ 2.08	\$ 1.40	\$ 7.11
Exchange Rate Effect	\$ (0.01)	\$ (0.17)	\$ 0.17	\$ -	\$ -	\$ (0.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Equivalents - Change	\$ 0.42	\$ (0.25)	\$ (0.03)	\$ 0.43	\$ (0.40)	\$ (0.25)	\$ (0.20)	\$ 0.64	\$ 1.67	\$ (1.27)	\$ 0.85
Cash Beginning	\$ -	\$ 0.42	\$ 0.17	\$ 0.14	\$ 0.57	\$ 0.42	\$ 0.18	\$ (0.02)	\$ 0.62	\$ 2.29	\$ 0.18
Cash End	\$ 0.42	\$ 0.17	\$ 0.14	\$ 0.57	\$ 0.18	\$ 0.18	\$ (0.02)	\$ 0.62	\$ 2.29	\$ 1.02	\$ 1.02