

**BENACQUISTA GALLERIES, INC.**

**(OTC BB:BAQG)**

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Website: <http://www.benacquistagalleries.com>  
Exchange: US-OTC Bulletin Board  
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Recent Price: **\$0.43**  
Target Price: **\$2.00**  
(12-month)

SPECULATIVE STRONG BUY RATING

**Access to Artistic Creations that Inspire & Improve Lives**

*Company Overview*

**Benacquista Galleries, Inc. (OTCBB: BAQG), was founded in 2002 and went public in 2005. Through acquisition and partnership development, Benacquista specializes in advancing the value of start-up and revenue-stage companies. We provide capital as well as a full range of strategic, operational and management resources for our clientele and partner companies. The company has developed a business model to focus on companies in the Art, Education and Publishing Industries.**

**Main Headquarters**

Benacquista Galleries Inc.  
12707 High Bluff Drive  
Suite 140  
San Diego, CA. 92130  
Unites States of America

Tel: (858) 525.5695  
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- **Benacquista Publishing's flagship product, 'The Farmacist Desk Reference' (FDR™), authored by Don Tolman** has been printed and its Australian distributor issued BAQG a receivable for the entire first printing. From the outstanding response BAQG has received from consumers with the FDR, the company believes it will sell at least **1 million combined copies** of the FDR and DVD **over the next three years.**
- Benacquista has also **signed agreements to publish 'MediSign Meals,' 'The 7 Principals of Health,' and 'The Adventures of Spenguin.'** The board game created by YNOT Eduk8, 'Proverbiums' is in the preliminary manufacturing stage and should be **available by late October.** BAQG's new Artist Campaign is fully developed and BAQG is at the early stages of bringing in new artists to represent and promote.
- BAQG's main method of competition is through product differentiation based on **style, philosophical orientation & gallery locations.** BAQG intends to distinguish its service & artwork offerings by appealing to collectors & investors at specific gallery locations and via the Internet. BAQG believes that its philosophical orientation will attract aspiring new artists to sign exclusive contracts with BAQG to show their art.
- Because the work of **Don Tolman is unique and Benacquista and its distributors has exclusive rights** to the material, BAQG believes that it have very **limited competition for selling educational products** to individuals who have purchased Don's products in the past and continue to be interested in Don's intellectual output.
- Benacquista Publishing has **printed and sold 5000 copies of the Farmacist's Desk Reference** in Australia, selling out the first printing. The company has received a verbal agreement from Australia for another 10,000 books. It is anticipated that the second printing of 5000 copies will be completed and sold out by September 30, 2006.
- Benacquista Publishing offers the most author-friendly publishing service in America with the highest author royalties in the industry.
- We believe that FY2007 revenues could range between \$4-\$6 million and produce, net income of **AT LEAST \$2.2 million.** We have used **FY2007 EPS of +20c** for valuation purposes, which we regard as conservative following consultation with Benacquista Galleries Inc. management.
- **The CEO has a vision to execute its business model by making the best acquisitions for Benacquista to insure outstanding growth and profitability for the company and its shareholders. We believe that the company should be valued using a sum of the parts methodology as it consists of 3 units with operations in publishing, educational products and art. We observed a sector average PE for each of these 3 industries and determined a weighted PE for BAQG. Employing this PE multiple of 19.5x and our FY2006 and FY2007 EPS forecasts of +3.4 and +20c respectively we arrive at a valuation of 199c or a market capitalization of \$22 million. Despite being in developmental phase and having limited operations and near term concern about access to additional capital for expansion and to pursue its business plan; we set a 12-month target price of \$2.00 based on our valuation model using our growth and interest rate assumptions. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 12-14).**

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

BENACQUISTA GALLERIES INC.	
<i>(all figures in millions)</i>	
52 Week Hi/Lo Range	1.51/0.40
Fiscal Year End	30-Sep
Shares Outstanding(06/30/2006)	11.00
Float (approximately)	2.03
Share price (09/19/2006)	0.430
Market Capitalization	4.7
Average Volume (3 months)	0.014
Insider Ownership	89%
Institutional Ownership	NA
Enterprise Value	4.64
Total Long-Term Debt (06/30/06)	0.000
Total Cash (06/30/06)	0.092
<b>09/2005    09/2006</b>	
<b>FY2005 A    FY 2006 E</b>	
Earnings Per Share (EPS)	-0.025    0.034
Book Value (\$/share)	0.010
<b>FY2005 A    FY 2006 E</b>	
Total Revenue	0.106    1.003
Cost of Sales	0.091    0.351
Gross Profit/Loss	0.015    0.652
Operating expenditures	0.224    0.250
Operating Loss /Profit	-0.209    0.402
Other income/expenses	0.043    0.024
Income continuing operations	-0.252    0.378
Net Income	-0.252    0.378
NA = Not applicable/Not Available. A = Actual Reported figures    E = Estimates	
Balance Sheet & Financial Statement Extracts (06/2006)	
Current Assets	1.265
Current Liabilities	1.157
Total Assets	1.265
Total Accumulated Deficit	0.254
Total Shareholder's Equity	0.107
Capital Structure (as at 06-30-06)	
Authorized Common Stock	50 000 000
Authorized Preferred Stock	11 000 000
Issued Preferred Stock	nil

## THE COMPANY

Benacquista Galleries, Inc. (**OTCBB:BAQG**) seeks acquisitions and invests in early stage companies with a focus in the Art, Education and Publishing Industries. The Benacquista Gallery of Companies consists of **Benacquista Fine Art, Benacquista Publishing, and Ynot Eduk8.**

Benacquista Galleries, Inc. is a development stage Nevada Corporation formed on January 17, 2003 for the purpose of offering collectable **artwork and accessories through a chain of retail galleries** and a fully **interactive e-commerce and auction-enabled website**. In September, 2005, Benacquista Galleries Inc. added to its available products through the acquisition of an interactive website, [www.ynoteduk8.com](http://www.ynoteduk8.com). This website provides information and materials for purchase related to art and visual education as well as other aspects of education and cognitive science. The company also acquired the publication rights to the **Farmacist's Desk Reference (FDR), a full-color guide to health and wellness** written by Benacquista Director Don Tolman.

Benacquista Galleries strives to generate shareholder value by partnering with start-up and revenue stage companies that operate in the Art, Education and Publishing sectors. By assisting current management in the development of existing business models, BAQG can prepare them for public market acceptance or for acquisition by the Benacquista Gallery of companies.

### Corporate Culture

Outstanding client relationships are the key to the company's success. To ensure its success, BAQG follows some very simple guidelines: The company believes its must conduct profitable enterprises which return value to shareholders. Secondly, it must constantly promote a culture that encourages calculated risk-taking and inventiveness in identifying, acquiring and growing its companies. BAQG believes it can only succeed as a world class company if it is able to attract, motivate, empower and retain exceptionally knowledgeable, talented, and committed executives. The company's current associates have a strong work ethic and are results-oriented. Benacquista associates believe in and support its core values, and reflect the diverse business environments in which the company operates.

To date, the company does not have any retail galleries. The company does have art and educational products available for sale on its [www.benacquista.com](http://www.benacquista.com) and [www.ynoteduk8.com](http://www.ynoteduk8.com) websites. The company went public in 2005.

### Corporate Web Sites

[www.benacquistagalleries.com](http://www.benacquistagalleries.com)  
[www.benacquistafineart.com](http://www.benacquistafineart.com)  
[www.benacquistapublishing.com](http://www.benacquistapublishing.com)  
[www.ynoteduk8.com](http://www.ynoteduk8.com)  
[www.thefdr.com](http://www.thefdr.com)  
[www.proverbiums.com](http://www.proverbiums.com)  
[www.theseecretcode.net](http://www.theseecretcode.net)  
[www.thetolmandiet.com](http://www.thetolmandiet.com)  
[www.thefarmacistimes.com](http://www.thefarmacistimes.com)  
[www.7principlesofhealth.com](http://www.7principlesofhealth.com)

### Partnership Web Sites

[www.physiognomyinterface.com](http://www.physiognomyinterface.com)  
[www.faceyourmate.com](http://www.faceyourmate.com)  
[www.spencersurfshop.com](http://www.spencersurfshop.com)  
[www.spenguin.com](http://www.spenguin.com)  
[www.ynoteducation.com](http://www.ynoteducation.com)

### Trademarks

- *Captain O'Wow*
- *The Farmacist Desk Reference*
- *Farmacist*
- *The Farmacist Times*
- *Proverbiums*
- *The Tolman Diet*
- *7 Principles of Health*
- *Patriot Comics*
- *Spenguin*
- *Locals Rule*
- *Medisigns*
- *Natures Medisigns*
- *Teleological Nutritional Targeting*

## BUSINESS PLAN AND DEVELOPMENT

Currently, the company has very limited operations, two employees (sole officer and director James Price and director Don Tolman), no retail gallery space and no existing contracts to permanently occupy a gallery location. The company has developed a plan of operations that could allow it to sell art through at least one retail gallery location and over the internet. BAQG recently launched its website and a store on eBay, which features its current, limited art inventory.

Benacquista Galleries Inc. has the following primary areas of business that management intends to develop over the next 6 to 12 months:

- **Relationships with several artists for exclusive artwork offerings** through Benacquista Fine Art.
- **Publication and Sales of the Farmacist's Desk Reference.**
- At least **one gallery opening** in a strategic location.
- **Sales of additional educational products** created by **Don Tolman** and related to various educational topics including art education.
- A **sales and marketing capability** sufficient to handle all website inquiries and gallery traffic.

BAQG has targeted locations for potential gallery openings during the next 18 months. These locations are in Maine, Pennsylvania, Virginia, Nevada and Maryland. Initially, the company selected locations in shopping malls, which had been selected due to the number of complementary luxury goods stores they contain. Because the company found cost and credit terms of such spaces prohibitively expensive, it now concentrates its efforts on locating stand alone retail spaces in prime tourist or shopping areas, ideally ones that were formerly or currently used as galleries. Although BAQG will seek out space that requires as little improvement as possible, there can be no assurance that such a space will be available on terms, which it qualifies for and would be willing to accept.

The company intends to enter into lease agreements on 4 facilities. James Price, in a guarantee agreement, has agreed to execute lease guarantees on each of these locations, if necessary, for a maximum lease liability of \$500,000 per lease.

## PORTFOLIO OF COMPANIES



Benacquista Fine Art specializes in **showcasing Original paintings, sculpture, etchings, graphics, and hand embellished giclees** by nationally and internationally known artists. Its inventory contains some of the most widely desired pieces in the world. Benacquista Fine Art has works by artists including Royo, Alexandra Nechita, Henry Peeters, Csaba Markus, Pineda Bueno, Pablo Picasso and many others.

Benacquista Fine Art is also offering an exciting program centered on the **marketing of new artists**. This program is designed to bring exposure and awareness to the finest upcoming artist and sculptors. Additionally, Benacquista Fine Art is offering a superb **consignment program** for those who are interested in selling their artwork for a straight commission.

Benacquista Galleries Inc., through its Fine Art subsidiary, has developed and launched a website which displays some of its current art inventory for sale, namely [www.benacquistagalleries.com](http://www.benacquistagalleries.com). This website contains basic company information as well as displays several art pieces for sale and information on the artists. In addition, this website provides links to BAQG's newly acquired educational website. [www.ynoteduk8.com](http://www.ynoteduk8.com)

This website, as well as that of [www.ynoteduk8.com](http://www.ynoteduk8.com), contains a functional shopping cart which allows customers to enter credit card information and purchase a specific piece of artwork or educational product, depending on the website. These products are then shipped by the company directly to the customer. Art products are currently shipped from Monkton, Maryland and the educational products are currently shipped from Rogersville, Tennessee, from a facility owned by director Don Tolman. Benacquista Fine Art also maintains a store on eBay which allows eBay customers to view and purchase its products using their eBay accounts and PayPal or credit card payment methods.

The company intends to **add significantly to its current inventory of art over the next 6-12 months**, including additional agreements to represent artists on an exclusive basis. BAQG also intend to add to its product lines in education, both art related and non-art related. The company also anticipates having at least one retail gallery opening during the next 6 months, though it has not yet made any contractual arrangements to do so and may have difficulty in obtaining the location and space desired under favorable terms.

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# Benacquista Publishing

Benacquista Publishing (BP) is the one stop destination for corporate marketing. Its clients benefit from **over 30 years of collective experience in marketing, public relations, corporate communications, and sales enhancement**. BP uses a complex suite of marketing products and intelligence to build its clients awareness as well as their sales. This unit of BAQG utilize all aspects of technology including Internet, print, TV, traditional media and international contacts to meet its goals.

The company **specializes in several different fields and offers clients Publishing services, Public Relations, Crisis Communication, Media Training, Corporate Visibility and Corporate Finance** for primarily small companies with annual turnover of \$1 million to \$100 million as well as publicly traded non-U.S. companies that seek to gain access to the U.S. capital markets.

Benacquista Publishing offers the most author-friendly publishing service in America with the highest author royalties in the industry and authors can expect the following from its publishing services:

- ❑ Custom cover design created specifically for your book.
- ❑ ISBN barcodes.
- ❑ Author copyright.
- ❑ Publisher's cataloging.
- ❑ Book featured in TatePublishing.com bookstore.
- ❑ Author retains all rights.
- ❑ Submitted for nationwide distribution.
- ❑ Submitted to Amazon.com, Borders and Barnes & Noble websites.
- ❑ Author retains 40% of all Benacquista Publishing website and catalog sales.
- ❑ Press releases submitted to area media outlets.
- ❑ Assist author in setting up a book signing in author's area.

Published Books to date include:

- "The Farmacist Desk Reference" by Don Tolman
- "The Adventures of Spenguin" by Sara Rose
- The *Farmacista Times* a regional Health and Nutrition newspaper
- "7 Principles of Health" by Don Tolman
- "MediSign Meals" by Don Tolman

Currently, Benacquista Publishing's most significant educational product is the Farmacist's Desk Reference, which is available for sale in Australia. Management expects that Don Tolman will continue to develop additional educational products for release throughout the year and also to launch this successful publication in other countries.

## Farmacista Desk Reference (FDR™)

The Farmacist Desk Reference™ is a **definitive compendium of humanities relationship to life and vitality using plant whole foods as preventative and remissive medicine**. The FDR is a deluxe, high-gloss, hardbound 2 volume boxed set. The FDR contains 1600 pages of some of the most stirring graphics and life impacting information that you can imagine. From ancient Egyptian to classical Roman times thru the Renaissance and into colonial America. It's essential to any collection of books on health and nutrition.

The FDR™ is the 21st centuries ultimate (time consorted) definitive compendium of humanities relationship to life and vitality using plant whole foods as preventative and remissive medicine. The FDR™ contains whole food wisdom from the Ancient Egyptians, Greeks, Romans, Hebrews, Chinese, Native Americans, Incas and others who through time treated themselves to high vitality and longevity using plant produced whole food. The FDR™ not only provides today's scientific conspectus on whole foods but more importantly the results of the human collective experience over time and distance that developed into the eminent practical knowledge of the human collective.



The FDR™ was crying from the dust of the earth to be recaptured, recorded and shared once again. With the burning and destruction of the Library of Alexandria, as well as, other timeless repositories of recorded human observation being laid waste, the FDR™ is a profound record of wisdoms rediscovery handed down through time mouth to ear; grandmother, to daughter, to granddaughter. The FDR™ teaches the reader why you should never fight disease or the symptoms of disease, which is the body's process of curing itself. When you treat symptoms, you are curing the bodies cure. This suppresses the bodies release and drives the condition deeper into systems and organs, creating side-effects and other "diseases" adding to the sales of more drugs and supplements. Instead of fighting disease, learn how to lay down the weapons of war and simply, elegantly embrace life's freely given principles of health and vitality. The FDR™ teaches how to assist the body's inherent ability to heal itself from the accumulative damage caused by months and even years of habitual reactions, beliefs, movement patterns, the use of toxic supplements and prescription's as well as over the counter drugs.

The FDR™ teaches that we have "safe choices" tested by time and experience not the published findings of a research lab, funded by companies with an agenda to increase stock values for its share holders with the latest, hottest, scientific "miracle break through" discoveries of cut, burn and poison in the "sick industry's" self declared, out of control raging war—a war on your body, (and all) at your expense! Learn how to put your wallet away, learn why medical insurance is one of the worst myth's you hold onto. Learn why so called "preventive medicine" is nothing more than a hook to get you suckered into the "perpetuate your disease" system, to mold you (using fear) into a perfect customer/consumer; a blind follower, adding to their flock of "Little Sheeple" (sheep people). The FDR™ will help you to be Confident, Independent, Sovereign and Free of, "trusting too much" in the "Arm of Flesh."

The FDR™ is a result of the children and grandchildren of yesterday's folk healers, people who grew up on the farm, in the country. People who grew up to become some of the 21st century's most brilliant whole food researchers, that are being proven by whole food Physicians of the highest Medical Credentials (truth needs no witness, but for one, I'm glad they are showing others the way). The notion that whole foods can get you healthy and keep you healthy is as old as the hills, and the FDR™ leaves no doubt that there is a fresh flowering of knowledge on those hills. The FDR™ can assist you through the recovery from many common disorders including acid reflux, acne, AIDS, age-related macular degeneration, aging, arthritis, atherosclerosis, cancer, cataracts, elevated cholesterol, colds, constipation, diabetes, diarrhea, poor digestion, diverticular disease, headaches, heart disease, herpes simplex, hemorrhoids, hypertension, immune deficiency, infection, infertility, insomnia, mental slowness, menopause, motion sickness, obesity, osteoporosis, respiratory ailments, skin disease, stroke, ulcers, varicose veins and more...The FDR™ no doubt will become a, Hand Me Down Heirloom, a True Treasure, a Personal Family Pearl, of Great Price.



www.ynoteduk8.com is owned and operated by Benacquista Galleries, Inc. Its web site is the Official Sales, Marketing and Distribution Center for YNOT Education, Inc's Products. (www.ynoteducation.com)

Ynot Education is a product creation and development company specializing in Health, Nutrition and Education. This company operated and sells products and services to potential customers on the website: www.ynoteduk8.com, which offers a variety of educational products for sale, including products related to art education and cognitive sciences. Ynot Eduk8 offers an affiliate program along with distributorships and a wholesale program for some products.

## **DISTRIBUTION & MARKETING**

Presently, Benacquista Galleries has very limited internal distribution and sales capability and relies heavily on its Internet presence, the personal efforts of James Price and Don Tolman and on the efforts of its **strategic partners, ArtTrader.org, Inc., Monarch Consulting LLC and XPANSION 2 XTREME, LTD.** These partners assist Benacquista with acquisition of new products and new artists, marketing, sales and distribution. The company also relies on its chief executive officer, James Price, to continue to **use his network of professional and business contacts in the art industry to sign on additional artists** and reach its proposed customer base through traditional forms of advertising and through its existing website as well as contacts made through BAQG's planned e-commerce website.

Mr. Price established his network of professional and business contacts in the art industry as an amateur collector of art over the past 15 years, attending auctions and visiting international and domestic galleries. During these visits and in the course of his purchasing for his own private collection, Mr. Price made acquaintances in the industry, including artists, gallery owners, auction personnel and suppliers and service providers to the art trade. The company intends to market its artwork via industry trade shows, in trade publications and through on-line search engines. BAQG also intends to market its products through the efforts of its partners ArtTrader.org, Inc., Monarch Consulting LLC and XPANSION 2 XTREME, LTD, as well as through the personal efforts of Director Don Tolman, who will be making a number of international appearances over the next 12 months to promote the company's products.

*See Appendix A-I for Analyst Certification and Important Disclosures.*

## CERTAIN RELATIONSHIPS AND NOTEWORTHY TRANSACTIONS

On January 31, 2003, chief executive officer James Price sold a number of individual works of art to BAQG for a purchase price of \$862,127. The company issued a note for the amount of the purchase price, payable to Mr. Price. The note bears interest at an annual rate of 5%. The principal and interest under the note was due and payable on January 31, 2005. There is no penalty for prepayment. Mr. Price paid \$862,127 for the art. James Price, is the majority shareholder and he made \$18,598 cash contributions for during FY2005 and a total of \$93,058 for the period January 17, 2003 (date of inception) through September 30, 2005.

On September 29, 2005, Benacquista Galleries, Inc., entered into an agreement with YNOT Education, Inc., a Nevada corporation, to purchase the website **www.ynoteduk8.com** for a **note of \$150,000**. Benacquista Director Don Tolman is the President and Principal of YNOT Education, Inc. Benacquista director and officer James Price is a director of YNOT Education, Inc. Immediately upon execution of the agreement, YNOT assigned its rights under the promissory note to James Price. As a result of this transaction, Benacquista has purchased a website from two related parties for \$150,000. Because of the related party nature of the transaction, there can be no assertion that the website is actually worth \$150,000 or that it would sell for such an amount to an unrelated party. As a result of these transactions, Benacquista now has a liability to director and officer James Price of \$150,000 and an asset of undetermined value, which may be worth only a fraction of the amount paid for it.

On September 29, 2005, Benacquista Galleries, Inc., entered into an agreement with director Don Tolman to publish certain of Tolman's books and materials. Under the agreement, **Tolman will receive royalties of either \$1.00 per book or 5% of sales**. The agreement doesn't obligate Benacquista to any minimum royalties, but Tolman can fail to **renew the agreement if he does not receive minimum** royalties under the agreement of \$250,000 during the first two years.

## INDUSTRY & COMPETITION

The artwork industry in which BAQG competes **contains an old and established network of galleries and promoters**. Intense competition exists for galleries and artwork offerings. The number of companies with which the company competes is estimated in the hundreds and expanding. In addition the company said it expects competition with any galleries or Internet sales presence that it develops to increase over time as the **market for its collectable and investment grade art grows**. Competition may also increase as a result of industry consolidation. Benacquista Galleries Inc.'s chief competition comes from large established galleries and websites, such as:

- ❑ **P and C Art**
- ❑ **Herndon Fine Art**
- ❑ **Galleria De Sorrento**
- ❑ **Art.com**
- ❑ **Artvest.com**

These companies tend to compete for clients by sales of services to existing clients, via word of mouth referrals, advertising, trade show presence and artist shows. **BAQG's main method of competition is through product differentiation based on style, philosophical orientation, and gallery locations**. BAQG intends to distinguish its service and artwork offerings by appealing to the collectors and investors at its specific gallery locations and via the Internet. The company believes that the philosophical orientation of its services will attract aspiring new artists to sign exclusive contracts with Benacquista to show their art. This orientation will be reflected in the on-line artwork that they offer on the site and in the focus and direction of the variety of artwork and the customer service that BAQG offers in its galleries.

The company's competitive position appears to be that of vulnerable, **new entrant and that the success of its artwork offering will be largely dependent on its ability to find new artists who are not currently affiliated with any other gallery or on-line artwork website**. Competition for its educational products comes from a variety of companies, but most significantly from established websites such as Amazon.com that offer a wide variety of educational works on a variety of subjects. Because the work of Don Tolman is unique and not available anywhere except through Benacquista and its distributors, **BAQG believes that it have very limited competition for selling its educational products** to those individuals who have purchased Don's products in the past and continue to be interested in Don's intellectual output.

## RECENT DEVELOPMENTS & OUTLOOK

Benacquista Galleries Inc. has devoted **over four years to developing its business**, and is now **entering the second phase of its business model**. Benacquista Galleries has been a public company now for just over one year, and its shareholders have proven to be long-term investors that are well in tune with its plans to build a viable, committed company with competitive revenues and earnings over the coming years. With a model well entrenched as an Art, Education and Publishing Acquisition and development company, BAQG is now in the position to have its projects start bearing fruit. Management of Benacquista has involved the company in several outstanding projects that are in various stages of development. The CEO has a vision to execute its business model by making the best acquisitions for Benacquista to insure outstanding growth and profitability for the company and its shareholders.

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Earlier this year the company announced, its Publishing Company's **flagship product, 'The Pharmacist Desk Reference' (FDR™)** was printed and its Australian distributor issued BAQG a receivable for the entire first printing. Since the official launch, author Don Tolman has journeyed to Australia and New Zealand several times to help promote and sell the book. Mr. Tolman has participated in dozens of seminars and radio and television interviews, including Good Morning Australia.

After the initial printing BAQG were able to have the book re-edited to add an additional layer of professionalism as well as several new chapters. This new version is back in the hands of its printer in Hong Kong and BAQG anticipate having 5000 copies of version II in the United States during the month of October. As soon as the company can confirm shipment it will initiate its North American marketing plan and start distribution of the FDR™. From the outstanding response BAQG has received from consumers with the FDR™, **the company believes it will sell one million combined copies of the FDR™ and DVD over the next 3 years.** The launch in Australia was highly successful with the company selling out 5000 copies of its first printing of this book. The company has received a verbal agreement from Australia for another 10,000 books. In addition to the FDR, Benacquista has signed **agreements to publish 'MediSign Meals,' 'The 7 Principals of Health,' and 'The Adventures of Spenguin.'** The board game created by YNOT Eduk8, **'Proverbiums'** is in the preliminary manufacturing stage and should be available by late October. This release of Ynot Education is bringing an exciting new game to market that will challenge players to remember and experience thousands of proverbs. BAQG's new Artist Campaign is fully developed and the company is at the early stages of bringing in new artists to represent and promote. Additionally, Ynot Eduk8 released two more books, **Develop your Mental Muscle** and **Think Fast** which will enhance the mind and body. Both books are currently on sale via the [www.ynoteduk8.com](http://www.ynoteduk8.com) web site.

The company anticipates that US domestic sales of the FDR, together with sales via its international distributor XPANSION TO EXTREME, LTD., will provide sufficient revenues and profits to allow Benacquista Galleries to significantly expand its business during FY2006/FY2007. The company's aggressive expansion plan for FY2006 includes:

- Television and radio commercials promoting its products.
- International speaking tour of Don Tolman with multiple public appearances at which the FDR™ and other educational products will be available for purchase.
- The opening of at least one retail gallery site.
- The addition of at least 10 educational products to the YNOT Eduk8 Line.
- Significant expansion of its art inventory and substantial new acquisitions.
- Expanded Network of Distributors for its Educational Products.
- Signing at least 3 new artists to representation agreements.

In its annual report the company guided **that the total cost for these expansions should be less than \$250,000**, most of which will be spent on the opening of the retail gallery, which BAQG estimated to cost \$100,000 and the television and radio commercials, which was estimate to cost \$80,000. The company believes there will be little cost associated with the significant expansion of its inventory because most of such inventory will be held on a consignment basis and secondly the company assumed its distribution network and artist representation agreements will not involve any initial costs. Don Tolman's international tour is estimated to cost \$40,000. The 10 additional educational products, which will be written by Don Tolman, should not cost the company financially, except with respect to initial layout expenses of \$2500 per product or \$25,000 in the aggregate, as BAQG intends to print these on demand through a third party vendor based on pre-paid orders.

Sales and marketing is critical to the success of the company's business. BAQG's business model relies heavily on its ability to cause collectors and investors to visit its galleries and its website. To this end the company will use several methods, namely to hire a full-time sales and marketing director as soon as funding permits. BAQG believes it can obtain a suitable candidate for an annual salary of \$65,000, without having to offer insurance or other benefits and provide this person with a marketing budget of approximately \$35,000. This budget would be used for travel to and attendance at industry trade shows and for advertisements in trade publications and websites. This combination of efforts together with the efforts of its chief executive officer, James Price, in approaching colleagues and leaders in the art field will be sufficient.

Management expects sales and marketing expenses to increase sharply to between \$100,000 and \$250,000 by September of 2006, assuming that the launch of the FDR™ and related products is successful. Due to the advertising expense of \$150,000 for the [www.ynoteduk8.com](http://www.ynoteduk8.com) website acquisition, sales and marketing expenses excluding advertising for FY2006 will be substantially higher than in FY2005, but advertising expenses should be lower or comparable. General and administrative expenses were \$74,067 during FY2005 and \$48,458 during period ending September 30, 2004. General and administrative expenses increased during the period ended September 30, 2005 as compared to the comparable FY2004 period due mainly to the recognition of expenses related to its selling shareholder registration statement on form SB-2 and increased legal and accounting fees associated with SEC periodic reporting requirements.

On February 21, 2006 BAQG announced that it would be **buying back up to 200,000 shares of Benacquista's stock over the next 9-12 months.** The company has begun its share buyback program with a purchase of 15,000 shares at \$0.40 on May 31st. In addition to this purchase the CEO also expressed his vote of confidence in the future of BAQG having purchased 69,900 shares at an average of \$0.525 per share, based on a recent SEC.

*See Appendix A-I for Analyst Certification and Important Disclosures.*

## FINANCIAL STATEMENTS

The company filed Form 10-QSB with condensed financial information (un-audited financial figures) and operational discussion with the SEC on August 18, 2006, with respect to financial performance and developments for the first 9 months of FY2006 (and Q3 FY2006 period ending on June 30. Year-to-date results for the nine-month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending September 30, 2006. The company's fiscal year end is September 30. The company is considered a development stage company.

The company's revenue to date of \$558,000 reflects \$422,000 in the second quarter ending March 31, 2006. Benacquista Galleries derived revenues of \$106,000 during the 12-month period ending September 30, 2005 (FY2005). This represents an increase of 253% when compared to the revenues of \$30,000 obtained during the comparable period ending September 30, 2004 (FY2004). For the year ended September 30, 2005, Benacquista Galleries had a net loss of \$254,593 while for the period ended September 30, 2004, the company had a net loss of \$94,564. The company has paid no federal or state income taxes since its incorporation. As of September 30, 2005 and September 30, 2004, BAQG had net operating loss carry forwards for federal income tax reporting purposes of \$414,659 and \$251,943, respectively, which, if unused, will begin to expire in 2023.

The company realized second quarter revenues of \$422,275 and \$177,278 in earnings, equating to \$0.02 earnings per share. The financial results reflected an order placed for 5000 copies of the Farmacist Desk Reference as well as the sale of several pieces of fine art. An order was placed in December 2005 to have 5,000 Farmacist Desk References printed with a price of \$25.90 per book; shipment was received in March 2006 and the total of \$129,500 has been paid to the printer. Book sale orders have been filled and invoiced for 5,000 books at a price of \$75 per book; balance of \$317,545 is reflected as part of Accounts Receivable. A royalty payment of \$1.00 per book for each book sold was paid to the author per the agreement. A Royalties advance of \$2,500 was paid to the author in anticipation of more book orders. Given the tremendous interest that the book has generated, BAQG is sending Don Tolman back to Australia and South East Asia later this year to conduct a new book tour. The total accounts receivable balance as at June 30, 2006 was \$337,695 compared to a zero balance as at the end of FY2005 on September 30, 2005. The company has no long term debt on its balance sheet.

For the three-month period ended June 30, 2006, Benacquista Galleries had a net loss of \$16,774 (or -\$0.002 EPS) while for the period ended June 30, 2005, the company had a net loss of \$29,982 (or -\$0.003 EPS). Also, for the period ended June 30, 2006, the company's equity account has improved showing an amount of retained earnings of \$115,503 for the first 9 months of FY2006, while for the period ended September 30, 2005, the company had a shareholders deficit of \$311,599. Net income for the first 9 months of FY2006 to September 30, 2006 totaled \$160,481 or +\$0.015 EPS on weighted average number of shares outstanding of 10.641 million.

Inventories are stated at the lower of cost or market. When there is evidence that the inventory value is less than the original cost, the inventory is reduced to market value. The company determines market value from periodic professional appraisals. Appraisals are performed annually or more often as deemed appropriate. On September 30, 2005, Ted Robertson, appraiser, appraised the works of art and provided a current market value of \$1,227,500. Art inventory was composed of 293 pieces of art consisting of oil-on-canvas, lithograph and pastel paintings, bronze and ceramic sculptures and other miscellaneous items.

In January 2003, the company issued 10,000,000 shares of common stock to various individuals, including officers of BAQG, for cash proceeds of \$10,000 or \$0.001 per share. On January 7, 2006 1,000,000 warrants were converted at \$1.00 per share to common stock and reflects as an increase to Capital Stock of \$1,000 or \$0.001 per share. The stock acquired on January 7, 2006 has only been partially paid for. The unpaid portion is shown as stock subscriptions receivable in the equity section of the balance sheet.

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

### Liquidity and Capital Resources

The company had cash available to the tune of \$9,027 as at June 20, 2006, which increased from only \$507 as at September 30, 2005. The cashflow from operations during the first 9 months of FY2006 were negative \$268,148 attributable mainly to changes in accounts receivable for the period. Financing activities provided \$276,668, which predominantly originates from payment on stock subscription receivable of \$263,572. There were no cashflow implications from investing activities, resulting in a net change in cash of \$8,520 during the first 9 months of FY2006.

Benacquista Galleries' current financial condition makes it difficult to commence more than a limited product offering or derive additional revenue until additional funding is received. Although the chief executive officer is willing to continue product development and marketing without a salary until additional funding is received, BAQG will not have the resources to strengthen its product offering until it receives additional cash either from the sale of existing artwork in its inventory or educational products, additional investments by its chief executive officer, the sale of equity or debt securities or some combination thereof, none of which can be assured.

*See Appendix A-I for Analyst Certification and Important Disclosures.*

Benacquista Galleries' current financial condition makes it difficult to keep up with its desired rate of growth. Because of the demand for the FDR™ and the long lead-time involved in printing, there are significant costs Benacquista must advance in order to continue to reprint the FDR. Although sales of the book are profitable, BAQG's lack of extensive cash reserves means BAQG must grow only as it can finance printing of the book. **BAQG is currently unable to meet market demand of the FDR, but it anticipates that further sales will alleviate this problem.** As of June 30, 2006 BAQG's principal commitments consisted of its obligations outstanding under accounts payable, accrued interest and a note payable to its major shareholder. Benacquista Galleries Inc. has no material commitments for capital expenditures and expects no significant capital expenditures or lease commitments during Q4 FY2006.

### Research and development

The company has a present intention to spend substantial resources on research or development over the next 12 months, consisting primarily in the development of its website and the development of additional products for its YNOT EduK8 line. Management anticipates that, funding permitting, it would **spend up to \$250,000 (which was lifted by \$100,000 from its FY2005 R&D projection)** on the development of its website during the next 12 months.

### RISK FACTORS / CONCERNS

**The longer-term consistency of revenues and profit potential, remain uncertain and the future operating results may continue to fluctuate.** The company's ability to execute against its stated business model is not yet fully proven. There can be no assurance that the company will be able to generate a consistent, dependable revenue stream through its art and publishing related business activities. BAQG may experience cash flow or liquidity issues as it continues to develop and market its business. If cash generated by operations is insufficient to satisfy the company's liquidity requirements, the company may be required to sell additional equity or debt securities.

Benacquista Galleries is a new company with limited operating history. In its most recent **10-QSB filing** with the SEC, its auditors expressed doubt about its ability to continue as a going concern. The company plans to fund its operations with revenues from the sale of art inventory on its interim website and publication and wholesale sales of the **"Farmacist Desk Reference"** (FDR™). **The company's president has indicated that he will loan sufficient funds to cover operating needs for the next 12 months.**

The company has **heavy reliance on key executives**, the loss of which could have adverse results. This is particularly true in the case of this young company. As part of its development strategy the company has decided to commence hiring the marketing director and beginning sales and marketing activities as soon as funds are available. BAQG has no present source for these funds other than the revenues expected from its websites or the proceeds from the exercise of a warrant. There are no assurances that either the websites will continue to generate revenues or the warrant will be exercised to provide additional capital. Management believes it will take 3 months for to identify and hire such an individual and that it will take another 6 to 8 months for the sales and marketing efforts to yield profits high enough to open a second gallery. There can be no assurance that any of the above alternative strategies will achieve its intended goals. If the company is unsuccessful in securing resources by any of the above outlined means, then its organization will cease to be able to carry out any alternative plan of operation and BAQG may cease operations, resulting in a total loss of investment for all shareholders.

Benacquista currently has a limited inventory of art purchased from its chief executive officer plus the artwork of new artists being published through Benacquista's new artist campaign. Although it plans to sell this artwork along with other artwork that it plans to acquire, Sales of artwork have been minimal as the new artist campaign has just been initiated and the promotion of the newly designed web site has just begun.. The company plans to acquire new artwork from individual artists and wholesalers and to sell this artwork on an Internet site it intends to build as well as in retail galleries that it intends to open. Costs to expand or to maintain its networks and website infrastructure and obtain retail gallery space, may exceed current projections and hurt future financial performance.

Shareholders should note that the majority ownership of the company lies in the hands of only a few shareholders that have effective control over all-important business, strategic and operational decisions. The CEO is the majority shareholder who owns 9,039,000 shares of BAQG common stock that represents 82% shareholding in the company. The 82% of class is calculated using 11,000,000 shares of common stock outstanding.

There are two aspects of its business that which face significant governmental regulation or are likely to face such regulation: its planned sales offering via the Internet and regulations, which affect sales of retail art and collectibles in general. There are no significant regulations regarding BAQG educational materials, except as relates to the regulations regarding the dispensation of medical advice. Within the United States, the legal landscape for Internet privacy is new and rapidly evolving. Collectors and users of consumer information over the internet face potential tort liability for public disclosure of private information; and liability under federal and state fair trade acts when information sharing practices do not mirror stated privacy policies. Due to the increasing popularity and use of the internet, it is likely that a growing number of laws and regulations will be adopted at the international, federal, state and local levels relating to the internet covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of services.

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Further, the growth and development of the market for activity on the internet may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The adoption of any additional laws or regulations may impair the growth of the internet, which could, in turn, decrease the demand for Benacquista's services and increase its cost of doing business. Moreover, the applicability to the internet of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, label and personal privacy is uncertain and may take years to resolve. Any such new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to the company's business or the application of existing laws and regulations to the Internet could harm BAQG's business.

Sellers of retail art and collectibles are particularly susceptible to unscrupulous individuals selling forged or stolen goods. There are significant local, state and federal penalties for merchants who sell forged or stolen goods, or goods that violate existing copyright interests. Although BAQG intends to make every effort to insure that its supply of goods comes from reputable artists and sources, it may nevertheless be liable under these regulations for sales of such articles. Liability can include civil and criminal penalties, as well as forfeiture of the artwork without compensation. BAQG may be able to insure against the costs of some, but not all of these regulations, but do not currently maintain such insurance. Liability under existing criminal or civil regulations for such sales could have a material, adverse impact on its business.

Books and materials regarding health and fitness, such as the Farmcist's Desk Reference (FDR™), are not regulated as such by any federal, state or local authority. However, there is a risk that products, which are not intended to give medical advice or to diagnose any condition, might be misperceived as offering such advice or misused by customers. If BAQG products were misconstrued as giving medical advice, BAQG would be subject to an incredibly complex network of federal, state and local regulations and prohibitions that involve substantial civil and criminal penalties. The FDR™ contains a clear disclaimer indicating it is not meant for medical or diagnostic advice and Benacquista Galleries believes that this disclaimer is adequate, but it has no assurance that this is the case. If BAQG were to be found to violate any regulations regarding the provision of medical device, applicable civil and criminal penalties would be very likely to result in the complete cessation of its business and could lead to huge fines and other costs which could completely destroy any financial or intellectual property assets in the company.

The current cash position is likely insufficient to fund acquisitions, and if insufficient operating cashflow is generated in FY2007 it may hurt or limit the company's expansion plans. Despite BAQG's differentiated offerings, competition remains fiercely competitive, and BAQG faces opposition from larger and better-funded rivals. Increased competition could result in revenue goals not being achieved and lower penetration of target markets that will result in unsuccessful expansion plans, product launches, reduced revenues and margins, any of which could materially and adversely affect Benacquista Galleries Inc. business, financial condition and results of operations.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of BAQG shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the liquidity and daily trading volume. We caution that historical volume activity on BAQG has been erratic, and we are unable to forecast the direction of trading volume with any degree of certainty in the future.**

Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants (should they exist) are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market. In the event that such holders of warrants and options exercise their conversion rights, the holders of the common stock then issued and outstanding may experience immediate and substantial dilution in the net tangible book value of their shares if earnings and other factors do not compensate for the increased number of shares of such common stock. BAQG's common stock is listed on the OTC Bulletin Board. NASD and SEC Regulations covering rules on Penny Stocks apply for BAQG, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors are likely to be contained in future **SEC filings or Form 10-KSB**. For further information with respect to the issuer; we refer the reader to the registration statement and the exhibits and schedule that were filed with BAQG's registration statement SB-2/A, filed on July 23, 2004.

## **MANAGEMENT TEAM & BOARD OF DIRECTORS**

### **James Price – President, CEO & Director.**

James Price, chief executive officer, principal accounting officer and director. Mr. Price currently serves as the president of Aero Financial, Inc. located in Monkton, Maryland, through which he provides public relations consulting services directly to executives and corporations. He has served in this capacity at Aero Financial since February of 2002. Mr. Price also serves as Sole Director and Chief Executive Officer of Wine Purveyors International, Inc. of Lutherville, MD, where he is the sole employee and has all management and operational responsibilities and has served in that capacity since January, 2003.

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From December of 1997 until February of 2002, Mr. Price was chief executive officer of Columbia Financial Group, Inc. of Lutherville, Maryland, an investor relations firm, where he was responsible for developing an employee benefit plan and training program for Columbia's employees and where he also developed and maintained corporate policies and procedures. From February of 1995 until December of 1997, Mr. Price was a stockbroker employed by Global Financial in Bel Air, Maryland. From September of 1980 until June of 1982, Mr. Price attended Eastern Washington University in Cheney, Washington, where he took general studies courses with an interest in art history. Mr. Price is a veteran of the U.S Army, serving from September of 1982 until September of 1985.

Price can best be described as a true entrepreneur. While in the brokerage industry, Mr. Price developed an affinity for finding small, under funded companies and building them through investment banking and financial public relations. Consequently, he left the brokerage industry and founded Aero Financial, Inc. a strategic consulting company. Now in its 14th year of business, Aero Financial, Inc. continues to build and sustain small publicly traded Companies. In the winter of 2003, Mr. Price saw a niche in the online art/education and publishing industries and, as is his character, he jumped right in with Benacquista Galleries. Mr. Price has the opinion that unless a business is evolving, it's deteriorating.

#### **Don Tolman – Director & Chief Creative Officer of Ynoteduk8, Inc.**

Don Tolman is an author, public speaker, trainer, imaginalist, entertainer and experimental nutritional-eating researcher. He has written multiple books on a variety of skill-specific mental functions and self-improvement topics. He has been a coach and mentor for key personnel with Xerox, General Motors, and Pitney Bowes corporations.

His latest project is the highly acclaimed Farmacist Desk Reference (FDR™). The Farmacist Desk Reference is a definitive compendium of humanities relationship to life and vitality using plant whole foods as preventative and remissive medicine. Don has spoken to more than 1,000 audiences in all 50 states and in 7 foreign countries. His media credits include more than 50 radio and TV talk show appearance per year. He has been a return guest on the Donahue Show, Entertainment Tonight, ABC Talk Radio, and he's a regular guest on The Aware Show in Los Angeles, CA, as well as many newspapers & magazines. The late Earl Nightingale said, "If George Carlin and Albert Einstein had a son, it would be Don Tolman." TV talk show host Phil Donahue said, "Like what he says or not; it's people like Don Tolman who, in their own unique way, will impact social change." Don Tolman has addressed audiences on the same speaker-platform with Brian Tracy, Les Brown, Joe Montana, Patch Adams and Olympic gymnastic gold medalist Peter Vidmar. Don is a distinguished communications facilitator and vocabulary-enhancement trainer. He has studied in-depth in the areas of applied behavioral and cognitive science, as well as neurology, semiotics, operant conditioning and Gestalt Theorem. His real passion is creating applied technique curriculums of accelerated academics for children, which include nutritional eating, as well as arcane and esoteric approaches to enhancing mental capacities.

Mr. Tolman currently develops educational materials. He has been a self-employed consultant and developer of educational materials, public speaker and author for more than 20 years. Mr. Tolman has previously been involved with founding two nutritional and health companies The Whole Food Farmacy, Inc. and The Brain Garden, Inc.

Mr. Tolman is the author of Think Fast: History, Mystery and Wealth and The Quest, as well as the Farmacist's Desk Reference, which will be published by Benacquista in 2006. He has appeared on more than 200 radio and television programs and has spoken to more than 1,000 live audiences across the world.

#### **INVESTMENT THESIS AND RECOMMENDATION**

**Benacquista Galleries, Inc. specializes in making accessible valuable artistic creations that inspire and improve lives. Benacquista offers moving and inspiring works of art for sale on its website. Benacquista also plans to expand its offering of inspiring creative works through the possible development of brick and mortar art galleries or through broadening the range of beautiful, inspiring and profound products that it sells. Ultimately, Benacquista is a company whose mission is to improve the opportunity for the expression of greatness within the human soul by showcasing profoundly moving works of art or other works of great value.**

**Our analysis suggests that Benacquista Galleries Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on a specialty retail company with a diversified focus in the Art, Education and Publishing Industries. After 4 years of hard work since inception the company is entering its second phase of development and is involved in several projects that hold great promise of high growth that has potential of creating shareholder value.**

**The investor enjoys the benefit of being able to partake in an opportunity to invest in a company that is has done challenging foundational work. BAQG believes that its philosophical orientation will attract aspiring new artists to sign exclusive contracts with BAQG to show their art and the company expects to close more representation agreements with new upcoming artists in the coming year. The company has a very successful flagship product (FDR™) in its advertising division that is gaining sales traction.**

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Since the initial launch of the company's flagship product, The Pharmacist Desk Reference (FDR™) Benacquista Publishing has received outstanding success and great accolades from all. Author, Don Tolman has embarked on a 7 week tour promoting The FDR™ throughout the Pacific Rim including, Singapore, Australia, New Zealand, Fiji, and Hawaii. With the exciting launch of the Pharmacist's Desk Reference (FDR™), and its innovative new artist program management believes fully in its ability to grow Benacquista and its subsidiaries into serious players in their respective industries.

Art is a gift that catalyzes self-revitalizing sacred moments, moments that set off in us the motive flames of deep tingling peace and anticipation. Benacquista Art is taking these treasures of art and helping to spreading them out across the landscape of human enterprise. Benacquista has the potential of forcefully increasing the visibility of moving works of art and making the experience of owning art accessible to a new audience, both online and through a retail gallery presence. In the coming year, BAQG will seek to use Television and radio commercials promoting its products, embark on an International speaking tour of Don Tolman with multiple public appearances at which the FDR™ and other educational products will be available for purchase and open at least one retail gallery site. The company will further seek to add 10 new educational products to the YNOT EduK8 Line and significantly expand its art inventory through substantial new acquisitions. Other goals include expanding its network of distributors for its educational products and signing at least 3 new artists to representation agreements.

Both operating and financial risk involved in investing in a young specialty retail company in the art, publishing and educational product markets are typically high and should be considered by investors. In this case the risks are tied mainly to the success of its marketing campaigns, ability to attract authors to make use of its publishing services, distinguish and differentiate itself from rival educational products and SG&A costs, development, marketing and other costs need to be managed well in order to bring its operating structure in-line to deliver consistent profitability and stabilize margins. Sales and marketing is critical to the success of the company's business. BAQG's business model relies heavily on its ability to cause collectors and investors to visit its galleries and its website. The company's competitive position appears to be that of vulnerable, new entrant and that the success of its artwork offering will be largely dependent on its ability to find new artists who are not currently affiliated with any other gallery or on-line artwork website. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching a meaningful slice of the online art market and break into the publishing and educational product markets to generate revenue, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to BAQG should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the exclusive publishing rights to acclaimed work(s) of Don Tolman to be unlocked as books are launched into new markets and new-fangled consumer awareness come to the fore and the company raises visibility, attracts art collectors and new artists and build recognition in education, art and publishing industries.

Short term we expect that the price of BAQG can recover from the low end of its 52 week hi-lo range, and bottom from a technical point of view and retest at the very AT LEAST its 200-day moving average of 72c and see no reason why BAQG cannot retest, and ultimately surpass levels seen during its July highs of close to \$1.00. We believe that the company is able to manage its organic growth and begin to generate meaningful revenues in FY2007 (our forecast is for \$3.40 million and EPS of 5.2c), that will ultimately lead to spurring investor confidence, supporting present valuations and fuel price appreciation and aid share price performance.

One of the core reasons which is pivotal to our bullish argument for upside in BAQG, results from our interpretation its projects, the anticipated success of its FDR launch in the US and the second round of publishing in Australia that will be the key driver of revenues in the short term. We believe that if the accounts receivables are sufficiently reduced in Q4 FY2006, BAQG can generate and recognize revenues in excess of \$1 million in FY2006. We are also forecasting FY2006 EPS of +3.4c. We are positive about the fact that the company has no long-term debt and is already operating in a cost efficient manner that aids profitability on a per share basis with its low outstanding stock count of only 11 million. Our FY2006 and FY2007 EPS forecasts are shown in the table on the following page where we have used a PE methodology to arrive at our valuation for Benacquista Galleries Inc. common stock that in turn plays a role in setting our 12 month price target for BAQG share price. The fact that management has opted to work for little or no compensation for the time being is shareholder friendly. Under the assumption that any further capital raising activity to finance its business expansion is well-managed to contain any further major I/O (issued and outstanding stock) increases and operating cash flow improves in FY 2007 as more progress is made to streamline and manage all the operations efficiently and meaningful revenue is generated we are of the opinion that BAQG stock has compelling upside potential.

We believe that the company should be valued using a sum of the parts methodology as it consists of 3 units with operations in publishing, educational products and art. We observed a sector average PE for each of these 3 industries and determined an applicable weighted PE for BAQG of 19.5x. Using this PE multiple and our FY2006 and FY2007 EPS forecasts we arrive at future values of 67c and 100c respectively looking ahead 3 months and 15 months into the future. We have calculated the required rate of return ( $k=13.5%$ ) which we use to discount or determine the present value of these 3 and 15 month forward prices to obtain 64.9c and 390c respectively. The arithmetic average of these two values yields 199c, which is our mathematical estimate of the value of BAQG using the PE methodology and our earnings, and interest rate assumptions.

		Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
FY 2006 EPS	0.034	19.5		NA	0.67	13.5%	0.649
FY 2007 EPS	0.200	19.5	482%	0.21	3.90	13.5%	3.331
Average							1.990

		Assumptions	
Price to Book	44.21	Beta	1.60
Price to Sales	4.72	$R_f$	4.3%
Current PE	NA	$R_m$	10.0%
Forward PE	2.2	k	13.5%
(FY 2007 EPS)			
EV	4.64	$k=R_f+(R_m-R_f)*Beta$	
		(in \$ millions)	
		FY2007 Revenue Estimate	3.40
		FY2007 Net Income Forecast	0.595
Debt/Equity	0.000		
Current Ratio	1.093		

With a market capitalization of only \$4.7 million and potential FY2006 forecasted revenue of over \$1 million, it is clear that BAQG is currently trading at a modest valuation. Using our FY2007 the stock is currently trading at only 2.2 times our FY2007 EPS of +20c which compares very favorably with a blend of ratings of stocks in the art, publishing and educational products sectors. Despite being in developmental phase and having limited operations and require access to additional capital for expansion; we set a 12-month target price of \$2.00 based on our valuation model growth and interest rate assumptions.

Our view is that the shares are currently very attractively priced on a peer comparison perspective and is not fully reflecting the expected constructive financial advance we expect in FY 2007 as new projects begin to provide a payoff. Examples taken from the universe of companies used to obtain and arrive at our applicable PE multiple of 19.5x are listed below for each of the relevant industries:

(1) Art : Collectors Universe (CLCT), AC Moore Arts & Crafts (ACMR) (2) Educational Products: Scholastic (SCHL), Leapfrog Enterprises (LF), Pearson (PSO), John Wiley (JWA) (3) Publishing: Barnes & Noble (BKS); Books-a-Million (BAMM); Borders Group (BGP) amongst others.

Given all these calculations and our bottom up analysis; which is more qualitative in nature, we set a 12-month target price for the security of \$2.00 per share. We believe further that there exists a future probability that sales of FDR and new products such as Proverbiums and fellow educational games generate sales that exceed current projections. This is likely to raise our fundamental valuation and/or target price beyond what we have specified in this report.

All factors considered, we anticipate a stake in BAQG clearly has compelling upside potential in the coming 12 months and that is risk adjusted and absolute returns will outpace that of the broad market as measured by the S&P 500 index as benchmark. We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can achieve certain business plan milestones most of which has been outlined in the section on developments and outlook and also under the assumption that FY2006 revenues of \$1 million and FY 2007 revenues of \$4-\$6 million can be attained that can be converted into net income in each case of \$0.378 million and \$2.2 million respectively. To summarize, we would argue that the share price and corresponding market capitalization is clearly undemanding if the company is able to capture only a small fraction of each of the 3 industries it has its sights set on.

**The dynamics of the OTC-BB is unlikely to consistently support true valuations based on financial performance and in many cases the prices respond 'after the fact' rather than 'ahead of the fact'. Hence, successful companies listed on the OTC-BB often handsomely reward investors if they are able to deliver and exceed expectations.**

**Given these factors and under assumptions used in our Price-to-Earnings (PE) model, we initiate coverage on BAQG with a SPECULATIVE STRONG BUY rating. The rating assumes that the covered company will deliver returns that outperform that of the broad market (as measured by the S&P 500 index) by 35% or more over the next 12 months.**

*Risk to our recommendation include amongst other: failure of sales and marketing efforts to its targeted customer base and closing of representation agreements with new artists to offer artwork(s) to collectors and art enthusiasts, a slowdown in growth and demand for publishing, education and art, inability to attract clients to its websites and inability to attract clients to a retail gallery location that generates sales of its art inventory can lead to BAQG missing our revenue forecasts and other future revenue stream assumptions.*

*New competition in this niche market segment or pricing and competitive pressures or failure to maintain or establish differentiation of its superior publishing, educational and art related offerings, any stringent or bold unforeseen regulatory changes impacting adversely on current and/or prospective market segments that BAQG conduct their business in, any inability to obtain necessary financing from capital markets when needed, to achieve its goal of capturing a its targeted share of BAQG's art, education and publishing markets or lack of capital available to pursue acquisitions, expand and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.*

*Any failure to retain qualified staff and talented sales force, consultants and management can restrict future business activity and hurt operations and financial performance, the inability to achieve revenues in the future that depends in significant part upon managements ability to build upon existing and cement new relationships with partners to leverage its art, publishing, media, art and educational presences with the brand, and low penetration of new enterprise and other markets can hamper share price performance. As a result, any cancellation, reduction or delay in the pursuit of future scheduled plans may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company. Reduced capital spending budgets by BAQG's customers, a drop in art, education or publishing activity caused by an unanticipated industry downturn or a major contraction in the online art, media and advertising industry in general, albeit unlikely can lead to soft demand for BAQG's products, which can resulted in decreased revenues, earnings levels or growth rates*

*We would caution that given the size of the company (micro or nano-cap security) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.*

Benacquista Galleries Inc.

BAQG

Last Trade: 9/15/06

1 Year Price - BAQG

**ANALYST CERTIFICATIONS****APPENDIX A-1**

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