

EMVELCO CORP.
Form PRE 14A
October 18, 2007

**SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement o Confidential, For Use of the Commission Only
(As Permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

EMVELCO. CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EMVELCO CORP.
468 North Camden Drive, Suite 315
Beverly Hills, California 90210
(Tel) (310) 285-5350
(Fax) (310) 285-5353

TO THE STOCKHOLDERS OF EMVELCO CORP.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Meeting") of Emvelco Corp., a Delaware corporation (the "Company" or "Emvelco"), will be held at _____ p.m. (Los Angeles, California time), on _____, 2007 at its corporate offices located at 468 North Camden Drive, Conference Room __, Beverly Hills, California 90210 for the following purposes:

1. To elect five (5) directors of the Company to serve until the 2008 Annual Meeting of Stockholders or until their successors have been duly elected and qualified;
2. To ratify the selection of Robison Hill & Co. as our independent auditors for the fiscal year ending December 31, 2007;
3. To authorize the Board of Directors to terminate its status as a reporting company; and
4. To transact such other business as may properly come before the Meeting and any adjournment or postponement thereof.

Only stockholders who own shares of our common stock at the close of business on _____, 2007 are entitled to notice of and to vote at the annual meeting. You may vote your shares by:

- marking, signing and dating the enclosed proxy card as promptly as possible and returning it in the enclosed postage-paid envelope;
- dialing the toll free number on the enclosed proxy card and casting your vote in accordance with the instructions given to you on the telephone; or
- casting your vote via the Internet at the website shown on the enclosed proxy card.

You may also vote in person at the annual meeting, even if you use one of the three options listed above.

We have enclosed with this Notice of Annual Meeting, a proxy statement, a form of proxy and a copy of our annual report to stockholders. Our annual report is not a part of this proxy statement.

By Order of the Board of Directors,

Stewart Reich, Chairman of the Board of Directors

Beverly Hills, California

_____, 2007

EMVELCO CORP.
468 North Camden Drive, Suite 315
Beverly Hills, California 90210
(Tel) (310) 285-5350
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PROXY STATEMENT FOR 2007 ANNUAL MEETING OF STOCKHOLDERS

The board of directors is soliciting proxies to be used at our _____, 2007 annual meeting of stockholders. Please read and carefully consider the information presented in this proxy statement and vote either by (i) completing, dating, signing and returning the enclosed proxy in the enclosed postage-paid envelope; (ii) by dialing the toll free number on the enclosed proxy card and casting your vote; or (iii) visiting the website shown on the enclosed proxy card and casting your vote.

This proxy statement, the form of proxy and our annual report will be mailed to all stockholders on or about _____, 2007. Our annual report is not a part of this proxy statement.

INFORMATION ABOUT THE ANNUAL MEETING

WHEN IS THE ANNUAL MEETING?

_____, 2007, ____ P.M. Los Angeles, California time.

WHERE WILL THE ANNUAL MEETING BE HELD?

The meeting will be held at its corporate offices located at 468 North Camden Drive, Conference Room, 2nd Floor, Beverly Hills, California 90210.

WHAT ITEMS WILL BE VOTED UPON AT THE ANNUAL MEETING?

You will be voting on the following matters:

1. **ELECTION OF DIRECTORS.** To elect five directors to serve until the 2008 Annual Meeting of stockholders or until their successors are duly elected and qualified;
2. **RATIFICATION OF AUDITORS.** To ratify the selection of Robison Hill & Co. ("Robison ") as independent auditors of the Company for the fiscal year ending December 31, 2007; and
3. **APPROVAL OF AUTHORIZATION TO DEREGISTER THE COMPANY.** To authorize the Board of Directors, for a period of one year, to terminate the Company's status as a reporting company.
4. **OTHER BUSINESS.** To transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

WHO CAN VOTE?

Only holders of record of our common stock at the close of business on _____, 2007 will be entitled to notice of and to vote at the annual meeting and any adjournments of the annual meeting. You are entitled to one vote for each share of common stock held on that date. On _____, 2007, there were _____ shares of our common stock outstanding and entitled to vote.

YOUR BOARD OF DIRECTORS HAS APPROVED EACH OF THE PROPOSALS SET FORTH HEREIN.

ACCORDINGLY, THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEE DIRECTORS, THE AUTHORIZATION OF THE BOARD OF DIRECTORS TO TERMINATE THE COMPANY'S STATUS AS REPORTING COMPANY AND THE RATIFICATION OF THE APPOINTMENT OF ROBISON HILL & CO. AS AUDITORS.

HOW DO I VOTE BY PROXY?

You may vote your shares by:

· **VOTING BY MAIL.** You may vote by mail by marking, signing and dating the enclosed proxy card as promptly as possible and returning it in the enclosed postage-paid envelope. Proxies should not be sent by the stockholder to the Company, but to American Stock Transfer and Trust Company, the Company's Registrar and Transfer Agent, at 59 Maiden Lane, New York, New York 10038. A pre-addressed, postage-paid envelope is provided for this purpose.

- **VOTING BY TELEPHONE.** You may vote by telephone by dialing the toll free number on the enclosed proxy card and casting your vote in accordance with the instructions given to you on the telephone. Telephone voting is available 24 hours a day. If you vote by telephone you should not return your proxy card.
- **VOTING VIA THE INTERNET.** You may vote via the Internet by visiting the website shown on the enclosed proxy card. Internet voting is also available 24 hours a day. If you vote via the Internet you should not return your proxy card.

If you return your signed proxy card or vote by phone or the Internet before the annual meeting, we will vote your shares as you direct. For the election of directors, you may vote for (1) all of the nominees, (2) none of the nominees or (3) all of the nominees except those you designate. For each other item of business, you may vote "FOR" or "AGAINST" or you may "ABSTAIN" from voting.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them:

- "FOR" the election of all of our nominees for directors; and
- "FOR" the ratification of Robison Hill & Co. as our independent auditors.
- "FOR" the authorization of the Board of Directors to terminate the Company's status as a reporting company.

If any matters other than those set forth above are properly brought before the annual meeting, the individuals named in your proxy card may vote your shares in accordance with their best judgment.

HOW DO I CHANGE OR REVOKE MY PROXY?

You can change or revoke your proxy at any time before it is voted at the annual meeting by:

1. Submitting another proxy by mail, telephone or internet with a more recent date than that of the proxy first given;
2. Sending written notice of revocation to American Stock Transfer and Trust Company, the Company's Registrar and Transfer Agent, at 59 Maiden Lane, New York, New York 10038; or
3. Attending the annual meeting and voting in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

WHAT CONSTITUTES A "QUORUM" FOR THE ANNUAL MEETING?

One-third of the outstanding shares of the Company common stock entitled to vote at the annual meeting, present or represented by proxy, constitutes a quorum. A quorum is necessary to conduct business at the annual meeting. You will be considered part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the annual meeting for purposes of determining a quorum. However, abstentions and broker non-votes do not count in the voting results. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the broker or nominee does not have discretionary authority for that item and has not received instructions from the owner of the shares.

HOW MANY VOTES ARE REQUIRED?

- Directors nominees are elected by a plurality of the votes cast in person or by proxy, provided that a quorum is present at the Meeting.
- The ratification of the director's selection of Robison Hill & Co. as the Company's independent auditors and authorization of the Board of Directors to terminate the Company's status as a reporting company will require an affirmative vote of the majority of the votes cast in person or by proxy, provided that a quorum is present at the annual meeting.

WHO PAYS FOR THE SOLICITATION OF PROXIES?

The Company will pay the cost of preparing, printing and mailing material in connection with this solicitation of proxies. We will, upon request, reimburse brokerage firms, banks and others for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners of stock or otherwise in connection with this solicitation of proxies.

WHEN ARE STOCKHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING DUE?

Any stockholder proposals for the 2008 annual meeting must be received by us, directed to the attention of the Company's secretary, Ms. Robin Ann Gorelick, Emvelco Corp., 468 North Camden Drive, Suite 315, Beverly Hills, California 90210, USA, no later than _____. The use of certified mail, return receipt requested, is advised. To be eligible for inclusion, a proposal must comply with our bylaws, Rule 14a-8 and all other applicable provisions of Regulation 14A under the Securities Exchange Act of 1934.

PROPOSAL 1: ELECTION OF DIRECTORS
(ITEM 1 ON THE PROXY CARD)

At the Meeting, five (5) directors are to be elected. Pursuant to the Company's By-laws, all directors are elected to serve for the ensuing year and until their respective successors are elected and qualified. Unless otherwise directed, the persons named in the enclosed Proxy intend to cast all votes pursuant to proxies received for the election of Stewart Reich, Ilan Kenig, Yossi Attia, Gerald Schaffer and Darren C. Dunkel (collectively, the "Nominees"). If any of the Nominees becomes unavailable for any reason, which event is not anticipated, the shares represented by the enclosed proxy will be voted for such other person designated by the Board.

Vote required: Directors must be elected by a plurality of all votes cast at the meeting. Votes withheld for any director will not be counted.

Voting by the Proxies: The Proxies will vote your shares in accordance with your instructions. If you have not given specific instructions to the contrary, your shares will be voted to approve the election of the nominees named in the Proxy Statement. Although the Company knows of no reason why the nominees would not be able to serve, if a nominee were not available for election, the Proxies would vote your Common Stock to approve the election of any substitute nominee proposed by the Board of Directors. The Board may also choose to reduce the number of directors to be elected as permitted by our Bylaws.

General Information about the Nominees: The following information regarding the Nominees, their occupations, employment history and directorships in certain companies is as reported by the respective Nominees.

Stewart Reich, age 63, Chairman of the Board since June 2004, was CEO and President of Golden Telecom Inc., Russia's largest alternative voice and data service provider as well as its largest ISP, since 1997. In September 1992, Mr. Reich was employed as Chief Financial Officer at UTEL (Ukraine Telecommunications), of which he was appointed President in November 1992. Prior to that, Mr. Reich held various positions at a number of subsidiaries of AT&T Corp. Mr. Reich have been a Director of the Company since 2002. Mr. Reich is Chairman of the Board, as well as head of the Audit Committee and the Compensation Committee.

Yossi Attia, age 45, has been self employed as a real estate developer since 2000. Mr. Attia was appointed to the Board of Directors ("Board") on February 1, 2005, and as the CEO and President of the Company on August 14, 2006. Prior to entering into the real estate development industry, Mr. Attia served as the Senior Vice President of Investments of Interfirst Capital from 1996 to 2000. From 1994 through 1996, Mr. Attia was a Senior Vice President of Investments with Sutro & Co. and from 1992 through 1994, Mr. Attia served as the Vice President of Investments of Prudential Securities. Mr. Attia received a Bachelor of Arts ("BA") in economics and marketing from Haifa University in 1987 and a Masters of Business Administration ("MBA") from Pepperdine University in 1995. Mr. Attia held Series 7 and 63 securities licenses from 1991 until 2002. Effective March 21, 2005, Mr. Attia was appointed as a member of the Audit Committee and the Compensation Committee. In June 2006, Mr. Attia was appointed as the CEO of ERC. Upon his appointment as the CEO of ERC, Mr. Attia was not considered an independent Director. Consequently, Mr. Attia resigned from all committees.

Ilan Kenig, age 46, has over 20 years of management, legal, venture capital and investment banking experience with specific emphasis in the technology and telecommunications arena. Mr. Kenig was appointed to the Company's Board on February 1, 2005. Mr. Kenig joined Unity Wireless Corporation ("Unity"), a designer, developer and manufacturer of wireless systems, as Vice President of Business Development in December 2001 before assuming the position of President and CEO in April 2002. From January 1999 until December 2001, Mr. Kenig pursued international finance activities and mergers and acquisitions in New York. Mr. Kenig was a founder of a law firm in Tel-Aviv representing technology and telecommunications interests. Mr. Kenig holds a law degree from Bar-Ilan University. Effective March 21, 2005, Mr. Kenig was appointed as a member of the Audit Committee and the Compensation Committee.

Gerald Schaffer, age 83, on June 22, 2006, the Board of Directors of the Company appointed unanimously Mr. Schaffer as director as well as member of the Audit and Compensation committees. There are no understandings or arrangements between Mr. Schaffer and any other person pursuant to which Mr. Schaffer was selected as a director. Mr. Schaffer does not have any family relationship with any director, executive officer or person nominated or chosen by the Company to become a director or an executive officer or any major shareholder. Gerald Schaffer has been extensively active in corporate, community, public, and government affairs for many years, having served on numerous governmental boards and authorities, as well as public service agencies, including his current twenty-one year membership on the Board of Directors for the American Lung Association of Nevada. Additionally, Mr. Schaffer is a past member of the Clark County Comprehensive Plan Steering Committee, as well as a former Commissioner for Public Housing on the Clark County Housing Authority. For many years he served as a Planning Commissioner for the Clark County Planning Commission, which included the sprawling Las Vegas Strip. His tenure on these various governmental entities was enhanced by his extensive knowledge of the federal government. Mr. Schaffer is Chairman Emeritus of the Windsor Group and a founding member of both Windsor and its affiliate - Gold Eagle Gaming. Over the years the principals of Windsor have developed shopping and marketing centers, office complexes, hotel/casinos, apartments, residential units and a wide variety of large land parcels. Mr. Schaffer continues to have an active daily role in many of these subsidiary interests. He is also President of the Barclay Corporation, a professional consulting service, as well as the Barclay Development Corporation, dealing primarily in commercial land acquisitions and sales.

Darren C. Dunckel, age 39, was appointed as a director of the Company on September 17, 2007. There are no understandings or arrangements between Mr. Dunckel and any other person pursuant to which Mr. Dunckel was selected as a director. Mr. Dunckel presently does not serve on any Company committee. Mr. Dunckel does not have any family relationship with any director, executive officer or person nominated or chosen by the Company to become a director or executive officer. From 2006 to the present, Mr. Dunckel served as President of Emvelco RE Corp., a Nevada corporation and former subsidiary of the Company ("ERC"). As President, he oversees management of real estate acquisitions, development and sales in the United States and Croatia where ERC holds properties. From 2005 to the present, Mr. Dunckel has been President of Verge Living Corporation, a Nevada corporation ("Verge") and wholly owned subsidiary of ERC (f/k/a The Aquitania Corp. and AO Bonanza Las Vegas, Inc.). In connection with this position, Mr. Dunckel oversees management of the Verge Project, a 318 unit and approximately 33,000 sq ft commercial mixed use building in Las Vegas, Nevada. The Company was the initial financier of the Verge Project. Concurrently, Mr. Dunckel is the Managing Director of The International Holdings Group Ltd. ("TIHG"), the sole shareholder of ERC and as such manages the investment portfolio of this holding company. Since 2004, Mr. Dunckel is the President of MyDaily Corporation managing the operations of this financial services company. Prior to 2004, from 2002 through 2004, Mr. Dunckel was Vice President, Regional Director for the Newport Group managing the territory for financial and consulting services. From 2000 to 2002, Mr. Dunckel was Vice President, Regional Director for New York Life Investment Management consulting with financial advisors and corporations with respect to investments and financial services.

Mr. Dunckel has entered into various transactions and agreements with the Company on behalf of ERC, Verge and TIHG (all such transactions have been reported on the Company filings of Form 8Ks). On December 31, 2006, Mr. Dunckel executed the Agreement and Plan of Exchange on behalf of TIHG which was issued shares in ERC in consideration for the exchange of TIHG's interest in Verge. Pursuant to that certain Stock Transfer and Assignment of Contract Rights Agreement dated as of May 14, 2007, the Company transferred its shares in ERC in consideration for the assignment of rights to that certain Investment and Option Agreement, and amendments thereto, dated as of June 19, 2006 which gives rights to certain interests and assets. Mr. Dunckel has represented and executed the foregoing agreements on behalf of ERC, Verge and TIHG. Mr. Dunckel is to be considered a related party upon becoming a director. In the event that the Company completes its transaction with Appswing Ltd., in connection with the purchase of Kidron Industrial Holdings Ltd., Mr. Dunckel will execute agreements on behalf of Verge to transfer 100% of Verge and a portion of ERC's interest and assets in Croatia in consideration of the Company receiving a large percentage equity interest in Kidron, as this acquisition of Verge by the Company is based on a written option granted to the Company on June 19, 2006 as reported on the Company's Form 8K.

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected and qualified. Officers are elected annually and serve at the discretion of the Board of Directors.

ROLE OF THE BOARD

Pursuant to Delaware law, our business, property and affairs are managed under the direction of our board of directors. The board has responsibility for establishing broad corporate policies and for the overall performance and direction of the Company, but is not involved in day-to-day operations. Members of the board keep informed of our business by participating in board and committee meetings, by reviewing analyses and reports sent to them regularly, and through discussions with our executive officers.

2006 BOARD MEETINGS

In 2006, the board met 5 times. No director attended less than 80% of all of the combined total meetings of the board and the committees on which they served in 2006.

BOARD COMMITTEES

The Company's board of directors has two standing committees, an Audit Committee and a Compensation Committee. The Company does not have a nominating or similar committee. As the Company does not have a nominating committee, all director nominees will be either selected, or recommended for selection to the Board of Directors by a majority of the Company's independent members of its Board of Directors.

Please refer to Annexes 1 and 2 to this Proxy Statement for additional information regarding the role, membership and activities of the Company's Audit Committee and Compensation Committee during the year ended December 31, 2006.

ELECTION OF DIRECTORS REQUIRES THE AFFIRMATIVE VOTE OF THE HOLDERS OF A PLURALITY OF THE SHARES OF COMMON STOCK REPRESENTED AT THE ANNUAL MEETING. SHARES OF COMMON STOCK REPRESENTED BY PROXY CARDS RETURNED TO US WILL BE VOTED FOR THE NOMINEES LISTED ABOVE UNLESS YOU SPECIFY OTHERWISE. THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF DIRECTORS.

**PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS
(ITEM 2 ON THE PROXY CARD)**

Upon the recommendation of the Audit Committee, the Board of Directors has appointed the firm of Robison Hill & Co. as independent auditors of the Company for the year ending December 31, 2007, subject to ratification of the appointment by the Company's stockholders.

Additional information regarding the independence of Robison Hill & Co. and the amount of audit and other fees paid by the Company to Robison Hill & Co. are disclosed in Annex 1.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ROBISON HILL & CO. AS AUDITORS OF THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007.

PROPOSAL 3: AUTHORIZATION OF THE BOARD OF DIRECTORS FOR A PERIOD OF ONE YEAR TO TERMINATE THE COMPANY'S STATUS AS A REPORTING COMPANY (ITEM 4 ON THE PROXY CARD)

Stockholders are being asked to authorize the Board of Directors to terminate the Company's status as a reporting company and allow the Company to terminate its duty to file reports ("SEC Reporting Obligations") with the Securities and Exchange Commission (the "Commission") under Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, and continue future operations as a non-reporting company, and thus relieving the Company of the costs and administrative burdens associated with operating as a public company subject to the SEC Reporting Obligations.

Following approval of this proposal by the stockholders, the Board of Directors will have the option for a period of one year to implement the deregistration. The Board of Directors may elect to abandon the deregistration at any time.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE BOARD OF DIRECTORS FOR A PERIOD OF ONE YEAR TO TERMINATE THE COMPANY'S STATUS AS A REPORTING COMPANY.

SPECIAL FACTORS

Purpose

The purpose of terminating the Company's SEC Reporting Obligations and continue future operations as a non-reporting company, is to relieve the Company of the costs and administrative burdens associated with operating as a company subject to the SEC Reporting Obligations.

Background; Alternatives Considered by the Board

Initial Actions

The question of whether the Company should be taken "private" was first briefly discussed at a meeting of the Board of Directors on September 17, 2007. The subject was initially raised by our Chairman, in the context of leading a discussion of strategic alternatives. The alternative of "going private" arose in the context of the Board's consideration of strategic alternatives for the Company and its capital structure. The Board concluded at its meeting on September 17, 2007 that the Company should continue to consider strategic alternatives carefully, bearing in mind the possible risk associated with the implementation by the Company of possible strategic alternatives.

The additional consideration of going private, with the shift in the Company's focus from Eastern Europe to real estate, the Board of Directors paid increasing attention to administrative costs. In the course of these efforts, the question of whether the Company should remain subject to the SEC Reporting Obligations was discussed by the Board of Directors of the Company. The costs that would be associated with Sarbanes-Oxley Section 404 compliance effort and the possibility of filing with the Commission a Form 15 to relieve the Company from its SEC Reporting Obligations were the initial discussions. After reviewing the benefits of reducing costs from ceasing SEC Reporting Obligations the Board of Directors thought it best to have the shareholders initially authorize the Board prior to taking any action.

Reasons for Deregistration

Cost-Savings

The Company incurs direct and indirect costs associated with its status as a public-reporting company. Among the most significant are the costs associated with compliance with the SEC Reporting Obligations. Direct costs associated with compliance with the SEC Reporting Obligations include, but are not limited to:

· auditing fees;

· legal fees;

· financial printer fees; and

· miscellaneous clerical and other administrative expenses, such as word processing, conversion to EDGAR, telephone and fax charges associated with the filing of periodic reports with the Commission.

Based on the Company's experience in prior years, the Company's direct costs of complying with the SEC Reporting Obligations are estimated to be approximately \$1,145,500 annually, based on estimated annual audit and accounting fees of \$120,000, estimated annual legal fees of \$314,000, estimated financial printer fees of \$70,000, estimated transfer agent fees of \$35,500, estimated costs associated with filing reports with the Commission (including internal administrative staff and Board cost) of \$315,000 and estimated miscellaneous costs of \$291,000.

Indirect costs associated with compliance with the SEC Reporting Obligations include, among other things, the time the Company's executive officers expend to prepare and review the Company's periodic reports, which the Company estimates requires 20% of the total time the executive officers expend in the management of the Company. Because the Company has only 2 executive personnel and only a total of 5 full-time employees, these indirect costs are substantial. For the calendar year ending December 31, 2007, the Company will be subject to additional regulations and compliance procedures required of public companies under Section 404 of the Sarbanes-Oxley Act of 2002. The Company estimates that the direct and indirect costs in the categories identified above necessary to comply with Section 404 would range between \$750,000 and \$1.0 million in the initial year of compliance and would range between \$250,000 and \$500,000 in each subsequent year. These costs would include the hiring of additional personnel dedicated to regulatory compliance, consultants to assist in the implementation of new procedures and additional audit fees. Because the Company would anticipate hiring additional dedicated compliance personnel as well as a significant increase in audit fees, the Company estimates that ongoing costs of compliance could amount to as much as \$500,000, annually. These costs are substantial when compared to the Company's total general and administrative expenses for 2006 of \$4,374,609 (which include a one time expense of \$750,000).

The Company anticipates that it will continue to incur some costs associated with soliciting proxies for purposes of its annual meeting as required under Delaware law, as well as meeting other state corporate law requirements. However, these costs should be significantly less than the direct and indirect costs of complying with the SEC Reporting Obligations as described above.

The Board of Directors considered the cost to the Company of continuing to file periodic reports with the Commission and complying with the proxy and annual report requirements under the Exchange Act compared to the benefits to the Company and its stockholders of continuing to operate as a public company. Under the circumstances, for the reasons discussed below under "Lack of Capital from Public Sector", the Board determined that the benefits that the Company and its stockholders would typically expect to derive from the Company's status as a public company are not being realized and are not likely to be realized in the foreseeable future. As discussed below under "Lack of Capital from Public Sector", the benefits of being a public company not likely to inure to the benefit of the Company include raising capital in the public markets and using Common Stock for acquisition purposes. As a result, the Board of Directors concluded that the elimination of the costs of complying with the Company's SEC Reporting Obligations outweighed the benefits of continuing to incur such costs.

Lack of Capital from Public Sector

The Company's circumstances are such that management believes that it is not likely to be able to take advantage of the capital available through the public markets. The Company's Board of Directors does not have any present intention to raise capital through sales of the Company's securities in a public offering or to acquire other business entities using the Company's Common Stock as the consideration for such acquisition. Accordingly, the Company has not and is not likely to make use of, or benefit from, the advantages generally associated with operating as a public company.

For each of the reasons set forth above, the Company's Board of Directors does not believe the costs associated with maintaining the Company's SEC Reporting Obligations are justified. The Company's Board of Directors believes that it is in the Company's best interests and the best interests of the Company's stockholders as a whole to eliminate the administrative burden and costs associated with maintaining the Company's SEC Reporting Obligations.

Factors Disfavoring the Deregistration

Limitation of Public Sale Opportunities. If the Board of Directors elects to apply for the termination of its SEC Reporting Obligations, it is expected that Nasdaq will move to delist the Company's shares of common stock. The Company may then pursue to list on an alternative market such as the Pinksheets or remain unlisted. It is possible that

the public market for shares of the Company's Common Stock could be substantially less active, particularly due to the lack of publicly-available information that will be available and the lack of a trading market.

Cessation of Publicly Available Information . Upon terminating the Company's SEC Reporting Obligations, the Company will no longer file, among other things, annual or quarterly reports with the Commission. Information regarding the Company's business, results of operations and financial condition that is currently available to the general public and the Company's investors will not be available once the Company terminates the registration of the Company's securities and the Company's SEC Reporting Obligations. As a result of termination of the Company's SEC Reporting Obligations, the stockholders will not receive the benefit of the protections provided to stockholders of a company subject to SEC Reporting Obligations, including, but not limited to, certain corporate governance, reporting, and management certifications required under the Sarbanes-Oxley Act of 2002 and disclosure and liability applicable to reports and statements made pursuant to the requirements of the Exchange Act. The Company intends to continue to report to its stockholders in accordance with Delaware law. The Company will continue to hold annual meetings of stockholders as required under Delaware law and in conjunction with such meetings plans to distribute proxy materials and an annual report that are similar to, but likely not as extensive as, those that would be required if the Company remained subject to the SEC Reporting Obligations. As a matter of Delaware law, the Company will not be required to mail or otherwise distribute quarterly or annual reports to stockholders.

Limitation on Capital Raising. There are certain sources of capital that will only invest in companies that file reports with the Securities Exchange Commission in accordance with the Exchange Act. As the Company may de-register and, in turn, cease filing under the Exchange Act, certain capital raising sources will no longer be available.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" AUTHORIZING THE BOARD OF DIRECTORS FOR A PERIOD OF ONE YEAR TO TERMINATE THE COMPANY'S STATUS AS A REPORTING COMPANY.

**BENEFICIAL OWNERSHIP OF EMVELCO COMMON STOCK OF PRINCIPAL
STOCKHOLDERS, DIRECTORS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of the Common Stock as of October 1, 2007 by (i) each person known by the Company to own beneficially more than 5% of the outstanding Common Stock; (ii) each director of the Company; (iii) each officer of the Company and (iv) all executive officers and directors as a group. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment powers with respect to all shares of Common Stock beneficially owned by it or him as set forth opposite its or his name.

Name and Address	Shares Beneficially Owned(1)	Percent Owned (1)
KPN Telecom B.V. (4) Maanplein 5 The Hague, The Netherlands	820,399	28.15%
CORCYRA d.o.o.(3) Valdabecki put 118 Pula Croatia 52100	2,326,043	40.88%
Graeton Holdings Limited 256 Makarios Avenue, Eftapaton	441,566	7.76%