

Fiscal 1996 was a mixed year for Company Industries. Although sales and earnings were below our projections, we decided the problem is in planning, not sales. To prevent future errors, Company won't provide revenue and income projections next year.

Product Trends

A major reason for this year's reduced income was the curious decline in sales of our number-one product, the Company Portable Piano Player. Demand for this quality product took a sharp dive in fiscal 1996. Although we have been unable to fully explain the sudden dip in demand, the tragic and untimely departure of Edna Wayne could have been a major contributor. Wayne, a major shareholder and devotee of Company products, purchased both Piano Players sold in fiscal 1992. Our projections were based on Wayne purchasing at least one more Player in fiscal 1996.

To combat the declining interest in the Piano Player, Robert Wayne, Director of Research and Development, has come up with a revolutionary product idea: The Company Solar Clothes Dryer.

The Company Solar Clothes Dryer dries clothes outdoors without using electricity or fossil fuels. Despite initial disappointing results, product performance has improved dramatically in the past months. These improvements appear coincident with the relocation of our lab from Washington to California.

The Company has taken aggressive cost-cutting measures to help the corporation through troubled times. In particular, company founders may use the corporate limousine only on odd numbered days.

Sincerely,

John Company, Founder