

To Our Shareholders,

I have good news to report this year! Our sales increased 9.2% for the 12 months ending June 30, 2017. Total sales were \$2,078,794 vs. \$1,904,143 for the previous year.

The improvement in sales resulted from double digit growth on Amazon and our online webstore. Amazon increased in sales by 37% year over year, and has recently posted 15 consecutive weeks of growth from the prior year. Our online webstore sales increased by 21%.

Online and Amazon sales grew to 68% of total business! We believe that sales on Amazon and online represent the biggest opportunity going forward. We are investing in and actively building our skills sets in the direct to consumer (online) marketplace.

Distributors and our local retail store dropped by 13% and 10% respectively. We are investing minimally in these channels and expect marginal decreases in sales each year in these two channels.

We recently relaunched a new website on one of the world's premier ecommerce web platform called Shopify. This new site not only gives customers much easier navigation and checkout functionality, but it gives Z-CoiL incredible insight into our customer's purchasing and browsing behavior. The new website allows wholesale customers to log on, track orders, view past orders, and order directly from the site at wholesale pricing.

If you have not seen our new website please visit www.zcoil.com. I set up a special coupon for you, our shareholders, saving you 40% off your entire cart. You need to try our new bamboo socks! Your discount code is Investor40.

We finished the year with \$71,163 in profit up 34% from last year. Our cash and current assets increased by 4%. This is such a wonderful change in contrast to the long slide downward in sales and profit after our retail network declined through the recession.

Now we begin the arduous but exciting task of rebuilding Z-CoiL in our new virtual and online world. It has been a difficult transition but I believe we are through the worst of the storm.

Our mission of changing lives is second to our mission of looking for opportunities to create a return of investment to our shareholders. While it is taking much longer than expected, we remain committed to this purpose.

Sincerely,

Alvaro Z. Gallegos

