June 1, 20XX

Dear Stockholders,

**Changing Developments**

It has been a very exciting first year for Lovebytes Computer Dating Service. The dating market is fiercely competitive. Our competitors, Match.com, E-Harmony, Chemistry.com and Perfect Match focus on slightly older market segments. All of their goals relate to long-term relationship and marriage. Our mission is slightly different than our competitors. We focus on the younger market: High school and college aged students. Our mission is to provide a cost-effective, superior, computer dating service for young adults seeking a short term, rather than long-term relationship. Instead of focusing on Mister Right or Miss Right, we look for Mister/Miss Right **Now**

**Goals Achieved**

With today’s technological revolution, young adults have embraced the high-tech computer, tablet, smart phone technology and are quite comfortable with the concept of the computer finding them dates. Our software made a record number of 245 monthly matches, 92 six month matches and 129 deluxe packages including limo, pictures and flowers. The total matches made by Lovebytes software equaled 466. Total Revenue received from trade shows, open houses, grand openings, Internet sales totaled $146,429.15. Total revenue received from contract with Virtual Enterprise Center was $472,498.00. Our total revenue from all sources totaled $638,927.15. See the table below for a summary monthly financial data.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Month | Package | Cost | No. Sold | Revenue | Total |
| November | Deluxe | $1,000 | 14 | $14,000 |  |
| November | Monthly | $32.95 | 0 | 0.00 |  |
| November | Six Month | $101.70 | 19 | $1,921.00 | $15,921.00 |
| December | Deluxe | $1,000 | 27 | $27,000.00 |  |
| December | Monthly | $32.95 | 14 | $461.30 |  |
| December | Six Month | $101.70 | 25 | $2,542.50 | $30,003.80 |
| January | Deluxe | $1,000 | 20 | $20,000.00 |  |
| January | Monthly | $32.95 | 0 | $0.00 |  |
| January | Six Month | $101.70 | 0 | $0.00 | $20,000 |
| February | Deluxe | $1,000 | 25 | $25,000.00 |  |
| February | Monthly | $32.95 | 6 | $197.70 |  |
| February | Six Month | $101.70 | 18 | $1,830.60 | $27,028.30 |
| March | Deluxe | $1,000 | 23 | $23,000.00 |  |
| March | Monthly | $32.95 | 165 | $5,436.75 |  |
| March | Six Month | $101.70 | 0 | $0.00 | $28,436.76 |
| April | Deluxe | $1,000 | 20 | $20,000.00 |  |
| April | Monthly | $32.95 | 60 | $1,977.00 |  |
| April | Six Month | $101.70 | 30 | $3,051.00 | $25,028.00 |

**Future Plans**

This past year our efforts were concentrated in California, Next year we plan to expand into other Virtual Enterprise networks in the Western Region including Oregon, Washington, Idaho, Nevada Arizona and Hawaii. We are in the process of doing more marketing research to more clearly define our on-line questionnaire and make the data received more meaningful. We further intend to make the questionnaire available on smart phones and tables by incorporating the flexible box model technology of HTML5. We also intend to expand our Internet Marketing effort to included social media sites. Time and talent permitting, we will translate our questionnaire into other languages.

Sincerely,

Jerry Belch, CEO LoveBytes