

Business Plan

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REAL POINTS

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I. Table of Contents

I. Table of Contents.....	2
II. Executive Summary.....	3
III. General Company Description.....	4
IV. Products and Services.....	6
V. Marketing Plan.....	8
VI. Operational Plan.....	16
VII. Management and Organization.....	18
VIII. Startup Expenses and Capitalization.....	19
IX. Financial Plan.....	19
X. Appendices.....	20
XI. Refining the Plan.....	21

II. Executive Summary

You are about to read the most exciting Business Plan you have ever read!

We are in the Marketing Incentive Business. Our products are Global and Branded(Private) Points Programs. Our products are superior to any out there due to the way we treat our Clients and Point Holders. They both receive value far greater than from any other program.

All small, medium and large businesses that deal with products or services are our potential clients but, we will concentrate on Web Based and Service businesses first.

The US Internet sales for Q3 2006 was \$44 billion and the forecast for Q4 is \$27 billion, according to Forrester Research. The forecast is for the quarter-trillion-dollar mark by 2011.

The principal owners are Mervin & Peg Faulkner. They bring over 50 years of business management experience and over 30 years of computer software development experience.

Consumer perks are playing a larger part in the effort to gain market share. We feel that our experience, techniques and ability to respond quickly to market changes will make us leaders in this field.

Some of the unique points about our Global Program are that we reward Issuers for giving out points, Customer Capturing™ and, for on-line Issuers, we provide Holders the ability to apply REAL POINTS™ to any order, no need to “save up” points.

III. General Company Description

We are in the Marketing/Employee Incentive business. We offer businesses the ability to offer their customers and/or employees a Points Incentive Program.

Mission Statement: Our mission is to offer the most cost effective and rewarding points program in the world.

Company Goals and Objectives: Our goal is to make REAL POINTS household words with a large base of dedicated businesses and excited Points Holders.

Our objective is to sign up at least 2 new clients a week in the 1st quarter, 4 new clients a week in the 2nd quarter, 8 new clients a week in the 3rd quarter and 16 new clients a week in the 4th quarter of the 1st year. In the subsequent years we will sign up at least 20 new clients a month and all of our clients will be pleased with our service and their ROI.

Business Philosophy: We will be known as a business with the highest level of integrity and empathy in our industry. We will treat our clients and Point Holders in a manner that proves we care about them.

Our Market : Every business in North America, and eventually the world, that provides products or services and has employees.

The Points Incentive industry is growing in leaps and bounds. Using points programs as employee incentives has great tax advantages for both the employee and the company.

Company strengths and core competencies. There are too many Points Programs in existence today. Points Holders are getting frustrated trying to figure out the value of their points in each program and are not motivated by them any more. Both businesses and consumers are looking for a better program.

Our major competitive strengths will be that our offering is simple to understand, has unlimited reward options and is less expensive for businesses to participate in and will eventually replace all the other programs in existence including private ones.

The background experience, skills, and strengths that we personally bring to this new venture are as follows:

Merv has over 35 years of management experience. This experience is made of experience with other companies and 24 years as President of MERVIN G. FAULKNER ASSOCIATES LTD. , a computer software firm. During this period Merv's ability to motivate, train and lead a successful team has been proven.

Merv's programming ability and techniques received international recognition through articles written about him. He was also a Contributing Editor for Canadian Datasystems and Canadian Office magazines. He was a guest speaker at many Computer Conferences in Canada and the USA.

Peg has over 24 years of business experience specializing in organization and staff relations. Her interpersonal skills are exceptional.

Legal form of ownership: Presently, we are a Partnership but will incorporate. Incorporation presents a better image and allows us to issue shares to potential investors.

IV. Products and Services

We offer Global and Branded (private) Points Programs.

The Global Program is similar to AIR MILES™ in that a person can collect points from more than one source therefore acquiring points quicker. Points Holders can trade their points for merchandise or services through REAL POINTS.

The Branded Program allows companies to present their own points program. Points can only be collected through their company. The Points Holders can redeem their points for merchandise or services provided by the host company. They will also be able to convert them to REAL POINTS.

The objective is to develop customer/employee loyalty by rewarding them for their business/efforts.

Other services are opt in e-mail ads, opt in web page ads and logos on the Holder cards.

Our major competitive advantage is the fact that both businesses and point holders are dis-satisfied with the current offerings. They are looking for a better way. Private Programs pay customers to come back and shop from them. What's better than that? Having others pay people to shop from you! Global programs such as AIR MILES™ etc. What's better than that? Getting paid when holders you brought in shop from someone else! We have it all!

Our other major competitive advantage is that we control the computer software required to run this business successfully.

A quick history lesson.

When I started in the computer field in 1968 software was created "in-house". Companies that owned computers hired their own computer programmers. The biggest problem in those days was communications. The programmers did not understand business and business managers did not understand programming. This resulted in much frustration for both parties. Management had problems managing their computer department because they did not understand what they did and therefore could not determine whether they were performing properly or not.

Someone decided that software that worked for one company should work in another companies within that industry, ergo the birth of the Software Package

Industry. Management embraced the solution because they no longer needed to have an in-house programming department and the subsequent management problems.

The problem with this solution is that they gave control of their business over to their Software company. Any software changes have to be approved by their software house and this will not happen unless other users of their package agree that it is useful to them. High monthly maintenance costs and new "versions" every 2 to 3 years without any significant advantage for acquiring them is also a disadvantage to this solution.

End of Lesson.

We do not have this problem because we create our own software in-house and because we know what needs to be done and how to do it, we have no trouble in managing this resource. Software changes in order to keep up to market changes will be done quickly and we will be able to stay ahead of the competition.

By creating our own software, we protect our techniques and competitive advantage because if you have to use a Software House they will sell the expertise they acquired while working on your package to your competitors and potential competitors.

Our major disadvantage is credibility. We are new on the block and do not have visible financial backing.

Our pricing is ever competitive. We have an initial start up fee of \$500. The ongoing costs are a 30% fee for each point issued. Other costs will depend on the other services they opt to participate in such as E-mail marketing campaigns, Web Page advertising and Holder card Logos. The cost for e-mail marketing will be approx. .20 cents per name on the list. Web Page ads will be \$100. per month per page. We have not determined a fee for Holder card Logos.

V. Marketing Plan

Economics

Facts about our industry:

- The total size of our market is all medium to large businesses in Canada and the USA. It is also possible that we can go to Europe, Asia etc.
- We feel that 1% of our market will produce a phenomenal income and it is conceivable that we can get 75 to 90 percent based on the fairness and integrity of our practices.
- There is no doubt that businesses accept the benefits of a good points program and they are looking for one that will give them the best “bang” for their buck.
- New points programs are appearing on an increasing basis.

Most of them are private programs which indicates that businesses are disillusioned with the cost and performance of the current Global programs.

- Our growth potential and opportunity is unlimited.
- The barriers we face in entering this market with your new company are as follows:
 - High capital costs

The back-room and web site software are already in place. The value of this software is \$250,000.

The cost of a membership magnetic stripe card machines will be approx. \$2222.99 + tax. The cards will be \$63.99 for 500.00.

Business Identity Design approx. \$900. (logo, letter-head, business cards)

Computers required for admin. and Customer Service will cost approx. \$600 ea. We will require 2 to start and others as staff is hired.

- **Production costs**

Our production costs are related to maintaining the web site and handling phone inquiries. An on site programmer will cost approx. \$40,000 per year. Telephone operators will average \$8-10 per hour. The cost of Holder brochures and Member signs is currently unknown. Holder cards will cost \$63.99 for 500.

- **Marketing costs**

Marketing will be done by independent salespeople on a commission basis through phone and e-mail. A salesperson will receive 25% of the start-up fee for every new client. A MLM plan has been designed and programmed that will provide the potential of 25% of the remaining fee, if we decide to go that way. A residual income is also designed and programmed which will pay the salesperson a monthly bonus based on the points issued by their clients. Clients will include REAL POINTS or their own brand points program in their current advertising plan.

- **Consumer acceptance and brand recognition**

Nobody knows us yet but a huge advertising campaign is not necessary as is shown by the success of the Trip Rewards™ program in the hospitality field. The hotel chains advertised their participation. Consumers didn't even know they existed until they checked into a hotel that offered their program. Based on this, what we need is divine connection to reach decision makers in one or two large companies. Reitmans were with AIR MILES™ and it would be great to talk to them to show them the benefits of using our program.

- **Unique technology and patents**

Patents are not possible.

The software programs are unique and are protected because we created and will maintain them.

- **The following could affect our company:**

- **Change in technology**

The only technological changes that will effect us is in the computer and Internet fields and will only result it making us more effective.

- **Change in government regulations**

The only change that would effect us is if the governments decided to treat points as income and tried to tax them at redemption time. This would only effect points rewarded as employee incentives and is highly unlikely and this will be a small percentage of our business. Businesses allocate more money to promotions and advertising then they do to incentive programs.

- **Change in the economy**

Economic changes have not affected these types of programs in the past.

- **Change in our industry**

There will always be new players in this field so we will have to remain flexible and pro-reactive to changes in the marketplace.

Product

Points Incentive Programs.

Features and Benefits

REAL POINTS – Global:

This program allows businesses to participate in a Points Program with many other businesses. They set their level of participation, for example the products or services that will result in receiving points and the number of points to be rewarded as a percentage of profit. We also have a feature that will allow a business to receive payment when holders they bring into the program purchase merchandise from others. (Customer Capturing™ is a REAL POINTS exclusive)

A Global program has more appeal to point holders because their points will accumulate quicker and therefore they will be able to turn them in for

merchandise sooner. Your products or services can be offered as part of the merchandise to be purchased. This will result in the fact that other businesses will be providing funds to people to shop from you.

Customer Capturing™ will result in residual income.

REAL POINTS – Branded

This program allows businesses to offer their customers and employees a private points program that will reward them for their loyalty. They set their level of participation, for example the products or services that will result in receiving points and the number of points to be rewarded as a percentage of profit. Merchandise or services that are offered can be exclusively their own products or can include the ones offered by REAL POINTS.

A branded program keeps your name in front of your customers and, if the points can be accumulated quickly enough, can keep your customers coming back. Another benefit is that they do not pay for the actual points until a holder accumulates enough points to purchase merchandise.

We provide all of the services required to allow Point Holders to manage their points, this includes reviewing their points balance and shopping for merchandise to trade their points for. We will help our clients to use their Points Program to achieve their promotion goals. We will do this through e-mail bulletins about how others are using REAL POINTS, discussions about their needs and goals. We will also offer them the opportunity to participate in e-mail and Web page marketing.

Customers

- **Industry – any that sell a product or service**
- **Location – North America to start.**
- **Size of firm – Medium to large. Small businesses can get involved when they see the light.**

Competition

Our main competitors are AIR MILES™ and Trip Rewards™ (if we want to compete in the hospitality field).

AIR MILES™ is only in Canada. They tried to enter the US marketplace but were not well received.

Some Branded Programs are trying to expand by offering their program to other companies. Sears are allowing Pharamasave and others to use the Sears Card. HBC points are available at Shell stations and HBC allow their holders to convert their points to AIR MILES™.

All of this indicates that the industry is not settled yet.

With our product, businesses know exactly how much of the reward they are giving their employees/clients will actually be received and Point Holders will feel they are getting value for their points.

The unlimited choice of merchandise and services available to the Point Holders at current retail prices is unheard of in this industry.

Table 1: Competitive Analysis

Factor	Me	Strength	Weakness	AIR MILES	TRIP REWARDS	Importance to Customer 1 least..5 most
Products	Global and Branded Points programs	Yes		Global only. Well established.	Global only. In the hospitality field only.	5
Price	Simple and up front.	Yes		Obscure.	? (i can't find out their structure.)	4
Selection	Unlimited	Yes		Limited to their Sponsors	Limited to their offerings.	5
Service	Exceptional with the feeling that we care.	Yes		Normal	Normal	5
Reliability	No track record.		Yes	Proven	Proven	5
Stability	We are here for the long run.	Yes		Proven	Proven	5
Expertise	We are confident in our ability	Yes		Proven	Proven	4
Company Reputation	We are unknown.		Yes	Proven	Proven	3
Sales Method	Unobtrusive	Yes		Unknown	Unknown	4
Image	We don't have one yet.		Yes	Proven	Proven	4

Our competitive advantages are Customer Capturing™, our pricing and our unlimited merchandise.

Our disadvantage is credibility.

Niche

We really do not have a niche other than the Service Industry and Internet based businesses may be the best place to start due to the fact we do not have to contend with POS software interfaces. We feel that the POS interface will be funded by the POS software houses in order to advertise that they are "REAL POINTS ready!"

Strategy

Promotion

We will get the word out to our customers by telephone and Internet marketing, media appearances and networking.

Advertising:

We will not be doing any advertising. Personal contact will work better.

We are going to use commission-only sales people to do phone sales using e-mail to distribute the data packet.

We will also use networking, media coverage including guest appearances on talk shows.

Our image will be of a company that cares. The companies will know that we help them to make the most effective use of their Points Program and the Points Holders will know that they are getting the best value for their points.

For graphic image support we will need a logo, business cards, brochures for the Point Holders and signage for the Participating companies.

Promotional Budget

Logo \$900. Brochures approx. \$50. Business cards approx. \$25 for 500. We are looking at vinyl transparent signs saying "We are proud REAL POINTS participants." Point Holder cards @ approx. .13 cents ea. \$63.99 for 500.

Brochures will be ongoing as well as signs and Point Holder cards. Volume will depend on our success at signing people up and their level of activity.

Pricing

Our pricing strategy is different then our competitors.

We have chosen to use a pricing strategy that more apparent to the clients. Our competitors pricing strategy does not allow the clients to know exactly what portion of the money they award actually reaches who they are trying to reach. Our clients will determine the products and the percentage of the sale that will be issued in REAL POINTS.

It is hard to determine if our pricing is higher or lower then our competition but we believe we are a “better bang for the buck”.

We feel that the current price structure is price gouging. We want small businesses to be able to offer a Points Program to their customers.

Pricing may not be a competitive issue other than the client knowing how much is actually getting to the people they are trying to reward. Credibility, integrity and quality of service may be the most important factors.

Customer service will be our highest priority.

Sales Forecast

The attached 12 Month Sales Forecast is based on the research that I did with financial statements of typical companies on the TSE. I used an average of 150000 per client per month even though research showed me some companies could be issuing 1 million points a month. Also attached is a copy of some of the financial statements I used.

VI. Operational Plan

Our daily operations will consist of handling some telephone calls from Points Holders and Clients, placing orders for Point Holders, processing the issuing of points and issuing Point Holder cards..

Personnel

- **2 to start. 5 after 6 months. 10 within a year.**
- **The first 2 will be professionals. The next 3 will be customer service reps (telephone). The next 5 will include a competent programmer and an accountant and 3 more customer service reps.**
- **The first 2 employees will be principals of the company. The others will be recruited locally through ads and word of mouth.**
- **The principals of the company bring over 30 years of work and management experience.**
- **The principals will receive \$60,000 per annum each. The Customer Reps will receive \$8-10 per hour and the programmer will receive \$40,000 per annum.**
- **Customer Reps will be trained by the principals and the programmer will be trained by Merv.**
- **The principals will initially be responsible for sales and Customer Service. When on-board the Customer Reps will be responsible for handling all calls from clients and Point Holders in a efficient and courteous manner. They will also process on-line orders by Point Holders trading points for merchandise or services.**
- **For at least the first 6 months everyone will work days only. After this, depending on the number of calls, we will work 9-4 and 4-11, 7 days a week.**
- **Job descriptions are attached.**
- **We will use Independent sales people who will work on a commission only basis.**

Suppliers

- **Suppliers of products for points will be numerous and be Internet based.**
- **Some will be suppliers we have made deals with for a commission on their products and the rest will be anyone who supplies products and services that a Point Holder wants.**
- **All products will be paid for upon purchase and the supplier will be expected to ship within 3 to 5 days.**
- **All suppliers will have to be reliable companies. We will not deal with any company selling adult or racist material.**

Credit Policies

- **The start up fee and the cost of points will be on a cash only basis.**

Managing Your Accounts Receivable

We will not have any Receivables except in the area of Points Issued. Points will not be credited to the Point Holders until they are paid for by the client.

Managing Your Accounts Payable

We will purchase all of our supplies with cash and therefore will not have any Payables.

VII. Management and Organization

Mervin Faulkner will assume the duties of President and CEO.

Merv has over 35 years of management experience. This experience is made of experience with other companies and 24 years as President of MERVIN G. FAULKNER ASSOCIATES LTD. , a computer software firm. During this period Merv's ability to motivate, train and lead a successful team has been proven.

Merv's programming ability and techniques received international recognition through articles written about him. He was also a Contributing Editor for Canadian Datasystems and Canadian Office magazines. He was a guest speaker at many Computer Conferences in Canada and the USA.

Peg Faulkner will assume the duties of Sec/Treas.

Peg has over 24 years of business experience specializing in organization and staff relations. Her interpersonal skills are exceptional.

Professional and Advisory Support

- **Board of directors**

Mervin Faulkner Chairman

Peg Faulkner Co-Chairman

Alex Portelli

and any investors that have the background to contribute.

- **Management advisory board**

Any investors who have the background and desire to contribute.

- **Attorney**
- **Accountant**
- **Insurance agent**
- **Banker**

VIII. Startup Expenses and Capitalization

See attached Spread Sheet.

IX. Financial Plan

12-Month Profit and Loss Projection

See attached Spread Sheet. (If only 10% of this happens it is still great.)

Projected Cash Flow

See attached Spread Sheet.

Opening Day Balance Sheet

See attached Spread Sheet.

X. Appendices

Include details and studies used in your business plan; for example:

- Brochures - **Not designed yet.**
- Industry studies – **Material attached.**
- Maps and photos of location - **Attached**
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Any other materials needed to support the assumptions in this plan

XI. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Investors

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
 - Funds needed short-term - **\$500,000.**
 - Funds needed in two to five years - **None**
 - How the company will use the funds, and what this will accomplish for growth. - **See 12 Month Profit & Loss.**
 - Estimated return on investment -
1000 shares. 40% = 400 x \$1,250=\$500,000. After 1st year shares will be worth \$7,000. ea.
 - Exit strategy for investors (buyback, sale, or IPO)- **Buyback after 3 years.**
 - Percent of ownership that you will give up to investors- **40%**
 - Financial reporting to be provided- **SEC standard**
 - Involvement of investors on the board or in management

Investors with a suitable background are invited to sit on the board.