



Investor Overview

Loyalty Lane, Inc (LL) offers a subscription software platform that solves one of the most frustrating problems facing retailers: *how to protect the marketing investment made to attract new customers, while retaining their repeat customers.* Retailers spend hundreds of millions of dollars in advertising, promotions, and couponing to attract customers, usually never knowing if their efforts led to a customer sale. Loyalty Lane's platform integrates with the retailers' point of sale to track the buying behavior of the retailers' customer; capturing the triggers and trends of a customer's buying decisions. The retailer uses the LL intelligent system to offer targeted incentives to their repeat customers increasing retention and average revenue per customer.

Loyalty Lane, with minimum outside investment, developed a robust, rich in function SaaS software platform that has been integrated and QA tested with multiple POS systems. Over 150 retailers have implemented Loyalty Lane's solution, with a pipeline of dozens more waiting for their queue to come up to begin their implementation. By reinvesting profits into application development, LL maintains a market mover advantage for its segment and enjoys an escalating market adoption. With an exponentially growing revenue stream, and specific plans for growing profitability and realizing the potential for expanding into multiple retail segments and geographies, Loyalty Lane warrants an increased market value.

Loyalty Lane is seeking investment from a group of sophisticated investors or an institutional investment fund for the following purposes:

- To maintain first market mover advantage with the integration of mobile messaging
- To develop or acquire electronic couponing system and integrate with the current platform
- Systematize and further automate key client engagement activities
- Expand into new segments and new geographic markets
- Increase technical and sales staff and fill key management positions
- Cap Table restructuring
- Working capital for increasing brand awareness

Loyalty Lane Market Positioning:

You are probably a member of a rewards program -- *-Book a flight, earn points; -Use a credit card, earn points; -trade in points for merchandise and services.* Major companies have implemented this marketing strategy for years to reward and retain their most loyal customers, leading to an increase in sales. However, most loyalty programs are considered out of financial and technical reach for most retailers, with only the largest chains committed to develop or implement existing client server-based programs.

In an effort to attract new customers that increasingly interact in mobile and online environments, retailers are experimenting with electronic couponing, with mixed results. Hundreds of small companies exist to promote restaurants and retailers in their specific geography with online couponing. Groupon and ScoutMob are garnering significant

industry interest as two different yet enticing business models for Electronic Mobile Couponing (EMC). However, retailers are discovering that EMC works to get new customers in the door, but have found that the consumer is loyal to the EMC source, not the retailer that gave them the reward.



Enter Loyalty Lane. LL solves the retailer's problem with a proven, subscription-based program that puts the retailer in the driver's seat to grow average revenue per customer. This POS-integrated solution utilizes electronic couponing and mobile messaging, while directly tracking the results through their loyalty program. By tracking purchases and buying behavior, retailers better understand their customers' preferences and can more effectively create targeted promotions based on their own

business needs and loyalty incentives that bring their customers back into the store, restaurant, or shop. The customer receives points toward the purchase of products they already use or new products that are the focus of a manufacturer or warehouse promotion.

The retailer can layer Loyalty Lanes' solution into their existing web environment or create a unique identity and customer portal through LL's offerings. The retailer's initial investment is minimal and conveniently pays Loyalty Lane a percentage of their revenue, so they perceive Loyalty Lane to be their solution provider with a vested interest in their success and commitment to their growth.

Key Success Factors:

- Proprietary SaaS software, *Phoenix*, is fully developed, quality tested, and implemented in over 150 retail locations.
- Competitive advantage of software is based on low-cost subscription pricing; turnkey marketing promotional programs, customer purchasing behavior analysis and performance reporting, electronic coupon integration, mobile marketing support, and multiple POS systems supported for integration.
- Participation of key advisors and investors with deep experience as owners of independent retail locations and warehouses.
- Data warehousing of customer purchasing history provides metrics on sales movement by product and promotions to measure results and maximize profits through increased revenues.
- Customer's response to the retailer's loyalty program is evident from 80% shopper participation in all installed accounts.
- The cost to retailers is a value-based pricing model based on a percentage of overall revenues, so that as the retailer's sales revenue increases, Loyalty Lane's revenues and profits increase.

- Organic growth and market penetration has led to small capital consumption to date and large upside potential for gaining market share within current client base and for expanding into new markets with fresh capital infusion.
- Planned future versions continue to build upon the richness of functionality with customer driven rewards redemption and customized consumer programs. Warehouses that distribute consumer packaged goods to the retailers are also part of the supply chain management with insight in buying trends and product sales metrics provided by LL, and are on board to help push the Loyalty Lane solution out to their retailers

Key Risk Factors

Current Status: Loyalty Lane has experienced a *Triple-Digit Growth* year-to-year, attributed to both the growth in number of retail locations subscribing to the service and the growth of each retailer's revenues. Since Loyalty Lane charges a % of the retailers' weekly total, their revenue grows as the retailers' revenues grow.

Currently LL sells directly to grocery retailers and has a few strategic relationships with the warehouse distributors that service those retailers. They are primarily installed in retailers headquartered in the Midwest. Immediate plans are to increase capacity for faster implementation of clients in queue, expand within the grocery segment to gain customers in other geographic markets, and target a new retail segment to sell into.

Loyalty Lane's growth is constrained because growth capital has come from revenues and the focus has been on feature enhancement and software development. With an influx of investment capital, additional sales personnel can be added and attention can be paid to automating much of the client implementation process and the marketing activities provided to the clients.

- Insufficient capital to respond to growing customer demand, implement closed customers in a timely manner, and hire key personnel and acquire resources necessary to manage growth effectively.
- Should the Data Center have an unforeseen and catastrophic event that impacts customers' trust and reliability for Loyalty Lane because the application is unavailable for use during the outage.
- Loss of key personnel that impact sales, marketing services, or development of future enhancements of *Phoenix* before the processes are fully documented or automated
- Ineffective expansion to other retail segments or geographies that impacts Loyalty Lane's growth plans and launch of new products and services.

- The integration of mobile couponing takes longer than expected because the acquisition terms are not agreed to or the development process gets delayed.

Unique Value Proposition:

Loyalty Lane is uniquely poised as a category killer with five distinct value propositions to the participants in the retail supply chain:

1. Shoppers get rewards for regularly shopping at a participating retailer. Their rewards come in the form of free products or discounts/credits toward other purchases based on an accumulation of points from their prior purchases. Their rewards can be automatically generated and applied to the products they purchase or distributed to them in coupon format.
2. Retailers can measure their results from customer acquisition efforts and gain insight into their customers' buying behavior and preferences. They have a low-cost way to identify and invest in targeted marketing promotions to ensure customer retention and increased consumption, which in turn increases profits from their existing and growing customer base.
3. Warehouses are able to effectively impact the sales movement of targeted products and track the metrics behind the performance of ads at the retail level, leading to a growth in warehouse sales from participating retailers.
4. Consumer Package Goods (CPG) companies are able to increase brand awareness by targeting promotions store-wide or to specific consumers based on their prior buying behavior. They can measure the results of promotions of their products at both the independent retailer and warehouse/distributor levels.
5. Marketing Intel: Many companies can capture and build demographic data about consumers. LL is uniquely positioned to capture the buying behavior and success triggers for consumption that is married to the consumer demographics. This will be invaluable to market researchers and consumer product developers.

Industry: Saas Integrated marketing and Customer Loyalty application

Management:

Bill Gray – Chairman, President
David Ridgely – CEO
Dorothy McCleskey - VP

Board of Advisors:

Don Baker – Angel Investor
Mark Thomas – Retailer, Investor
Joe Arcori – Retailer, Investor
Lane McCutcheon – Co-Founder
Mike Dowell – CPA/Investor

Revenues (in 000s):

Year	Revenues	Yr End Backlog
2010	\$868	\$1,300
2011*	\$2,500	\$3,500
2012	\$5,000	\$9,000

Current Debt:

Bank Loan	\$137,700
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Previous Investment:

Founders	\$190,000
F&F Seed	\$441,677
Total Equity	\$631,677

Funding structure preferred:

Loyalty Lane is seeking strategic financing partners who are knowledgeable about this marketplace and recognize the value of the solution LL provides the marketplace across segments. The investors, as an individual fund or group of investors, will have the ability to invest substantial capital in an initial infusion, followed by scheduled tranches over a 24 month period.

- Financing Sought: \$4 million capital. Terms negotiable

Use of Proceeds:

- Automation of key internal processes to increase efficiency
- Intellectual property protection to expand the barrier to entry
- Mobile application integration to strengthen mobile messaging and electronic couponing
- Expansion within current segment by geography
- Expansion into other retail sectors

- Recapitalization and buy-out of select stock owners
- Marketing and brand awareness
- Sales team
- IT Infrastructure for expanding data warehouse

Future Growth Strategy:

Additionally, LL has plans to analyze and target an additional 2 retail sectors in the year following funding, continuing to expand into a new retail sector each year afterwards. Retailers in a target sector would have the following characteristics:

- customers who would visit at least once a month,
- need for competitive differentiation that isn't based solely on price,
- retail product offering and selection lends itself toward add on sales, and
- sufficient revenue to share in to make it profitable for Loyalty Lane.



Target sectors would include pet supply stores, drug stores, craft and hobby shops, hair dresser/barber shop, card/gift/novelty shops, coffee shop/restaurant and gas/convenience stores.

Exit Strategy: Acquisition by a Marketing Services or Software company to expand their own product offerings or to gain insight into the immense data repository on consumer behavior and buying patterns.

Supporting Documents: Pitch Deck, On-Line Flash Demonstration, Industry Articles, Customer Testimonials, Company's Project Management Report, Subscription Agreement, Tax Returns, Historic and Current Financials, Business Plan

Summary Regarding Investment Appeal: Loyalty Lane has built a robust application platform that has been tested and implemented in hundreds of locations. They have a re-occurring revenue stream that grows each year with new client implementations and investors can continue to expect compounded growth with the current segment then as LL expands into other retail segments. They have shown they have the discipline to be conservative in their operational burn and consumption of investor capital. Although their market valuation is has doubled, it is still significantly less than similar solutions in the marketplace. They are currently deployed in less than 5% of the target grocery retailers and have significant upside potential to expand within that sector and across multiple other retail sectors without significant growth in expense to acquire the revenue.

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