

VendTek's Opportunity

There is an Enormous Market for Prepaid Services

As a developer and commercializer of transaction automation systems and software for the retail distribution of prepaid services, VendTek finds itself with an opportunity to capture a significant portion of a multi-billion dollar market serving at least 100 million people using **prepaid** cellular and long distance services in North America and China. And that is only their telecom business ...

VendTek's proprietary and market proven e-Fresh[™] software gives the company the edge it needs to be a market leader in delivering prepaid services.

So What's the Problem?

Historically, delivery of prepaid services has been achieved through physical cards (often called "vouchers"). Retailers of prepaid card services are faced with high cost inventory (i.e., multiple face values from multiple provider companies), theft risks, space requirements, and inventory management.

Cellular and long-distance service providers need new business solutions that lower risk and distribution costs for retailers.

How Can VendTek Help?

VendTek's opportunity lies in making the traditional distribution paradigm of physical cards **completely** electronic.

VendTek has spent several years developing an electronic distribution software package for prepaid telecommunication and financial services called **e-Fresh[™]**. It is proprietary, vendor-neutral, customizable, and secure. It allows for the secure transfer of information through electronic POS terminals, self-serve kiosks, WAP enabled phones, ATM machines, and web browsers. It is state of the art and **eliminates** costly physical cards.

How Does VendTek's Solution Work?

VendTek commercializes e-Fresh[™] under license to companies that create distribution businesses in the telecommunication and financial services markets. The Company's markets are global, but initial installations are in Canada, the US, the UK and China.

Typically, e-Fresh[™] enabled POS terminals are sold to a third party that uses them to distribute prepaid airtime via electronic inventory that is stored on a central server rather than in the form of physical cards. The usage is similar to paying a bill by debit card where a keypad is used to select airtime minutes or dollar values. The purchased product is delivered in real time via the POS terminal in the form of a secure PIN number from VendTek's secure server. A printed receipt containing the unique PIN number enables the service activation. Since the PIN number is downloaded in real time, is single use, and doesn't need to be inventoried by the retailer it couldn't be more user friendly and cost effective. Easy!

The e-Fresh[™] system creates significant value through markedly improved efficiency. The physical cards are gone and consumers using e-Fresh[™] terminals benefit from improved convenience and product selection.

VendTek's system reduces shrinkage and inventory requirements while improving consumer access to prepaid services.

The VendTek Advantage - Intelligent Growth

In order to create sustainable and recurring revenues in addition to third party licensing, the Company's own subsidiaries, Now Prepay Corp. (North America) and VendTek Systems Technologies (China), are using e-Fresh[™] software to build electronic, prepaid services networks.

With several multi-billion dollar market opportunities, VendTek is racing to capture market share by deploying e-Fresh[™] enabled POS terminals and kiosks. With a focus on steady, systematic growth the Company is poised for success.

VendTek's Canadian subsidiary, Now Prepay, has agreements with most major Canadian telecommunications companies including Bell Mobility, Fido, Rogers AT&T Wireless, and Telus Mobility to distribute the electronic PINs that are convertible to prepaid telecom services such as cellular airtime and long distance. The Company believes there are only a few companies in Canada who have these agreements in place and Now Prepay is proud to be one of them.

In China, VendTek's joint venture subsidiary, VendTek Systems Technologies, is working with UFO Group to replicate the Now Prepay business model in a much larger and faster growing market.

Winning With Service

It is just so simple. VendTek offers a simple solution to a complex and expensive distribution channel. The physical card form of prepaid services is in the mode of planned obsolescence. Going electronic is so much easier for retailers and consumers that adoption as the preferred method of purchasing prepaid services is almost a given.

VendTek's e-Fresh[™] system is second to none for electronic delivery. It is easily modified to allow the provision of all types of prepaid services such as movie tickets, e-Cash, lotteries, transportation tickets and subscriptions – and that should keep the Company competitive in a market going through transition for many years to come.

Creating Shareholder Value

VendTek wishes to penetrate all levels of the prepaid market. Management has been aggressive in securing agreements with ISOs (Independent Sales Organizations), vendors and retailers. To that end, deals are being finalized and announced on a regular basis.

The numbers add up quickly. With only 5000 terminals averaging a few dollars of net margin per day, gross profit potential quickly exceeds \$4 million annually.

Questions and Answers

Our shareholders have asked for a clearer definition of our business and our future. Hopefully, this Q & A will help.

How will VendTek be affected by the obsolescence of physical cards?

The phase-out of physical cards presents an opportunity for VendTek to deliver **all** prepaid services electronically through e-Fresh[™] enabled terminals and kiosks. Without requiring inventory of physical cards, services are delivered on demand allowing retailers to offer a wider selection of service providers and denominations with significantly reduced risk and costs.

What is the demand for prepaid services?

Somewhere in the neighborhood of 120 million prepaid cellular and long distance users in North America and China are projected to consume at least \$10 billion of prepaid services and recharges in the next 12 months.

What is the opportunity for VendTek?

VendTek is a software developer. We license and sell our software to our own subsidiaries and to other companies. Our proprietary software enables the electronic delivery of prepaid services on a secure network. Our delivery method decreases theft, inventory costs, and technology redundancy – while increasing product offerings.

Commercializing e-Fresh[™] under license is VendTek's strategy to create sustainable and recurring revenues since we sell the "machines" **and** we collect commissions on a "per transaction basis".

Why do you think this strategy will work?

The death of physical vouchers can be anticipated. Service providers and retailers need new solutions.

Electronic delivery is the only viable answer. e-Fresh[™] has been tested and proven. The software can be incorporated into any POS device, kiosk or ATM machine. In the near future, WAP and Internet-enabled mobile phones will also have the potential to be e-Fresh[™] enabled.

As a licensor of software, we are able to collect recurrent revenues in a growing and perpetual market. We are ready to add new offerings to the e-Fresh[™] mix, as consumers are ready. Also, VendTek has the business partnerships that will facilitate deployment and growth.

Tell me more specifically what e-Fresh "looks" like?

VendTek and its subsidiaries are joining forces with POS terminal distributors and transaction processing organizations to integrate e-Fresh[™] software with debit card and credit card processing software. The combined application will provide a compelling value-added service to the channels presently served by physical cards for prepaid telecom services. To the consumer, the software is no different than selecting an account and a dollar value for a retail purchase.

Who is your competition?

Our competitors are two-fold. On one level, our competition is mainly channel partners who supply prepaid cards to the retailers. However, we are working with some of them to provide POS terminals that include our software so that their retailers can still sell prepaid services **and** adapt to a changing marketplace.

On another level, we compete with other electronic distribution software manufacturers. We believe that e-Fresh[™] is the most adaptable, secure and user-friendly software application available. We are constantly reviewing our technology and striving to stay ahead of other developers.

Where do you see the company 18 months from now?

Our continued focus going forward is business expansion in Canada, the US and China. Cellular and long distance prepaid services are our primary market opportunities but we remain aware that evolving markets such as financial services are part of our future, as consumers and distributors start to realize their potential.

As physical cards are phased out, the demand for electronic PIN delivery of prepaid services will increase. We hope to capture 5% of the multi-billion dollar market opportunity that stares us in the face every day.

This document contains forward-looking statements within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Company assumes no obligation to update any forward-looking information contained herein.