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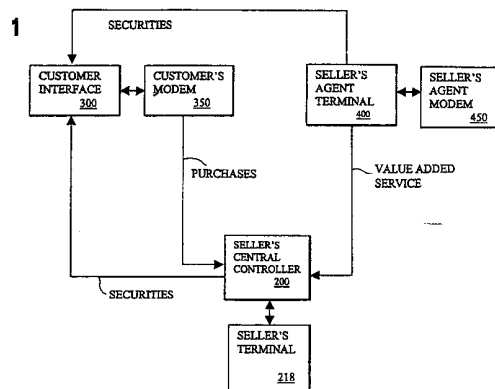


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(57) Abstract: A central controller (218) or controllers with databases of customer's information includes customer purchases. After a period of time, the central controller (218) allocates a reward incentive to customers' accounts as per their activities in the form of equity in the seller's company. The central controller (218) records the average weighted stock price when the securities are bought, and calculates the total or a fraction of the securities a customer is entitled to receive and post the amounts accordingly. When customers want to exercise their equity rights, they have the choice to sell for cash or receive stock for further appreciation. The method and apparatus of the present invention may be applied in particular in the context of an electronic commerce system.

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**METHOD AND SYSTEM FOR GENERATING CUSTOMER INCENTIVES BY  
REWARDING CUSTOMERS WITH SECURITIES**

**CROSS-REFERENCE TO RELATED APPLICATIONS**

5           This application claims priority to the following commonly assigned applications: U.S. Provisional Application No. 60/144,630, filed July 20, 1999; U.S. Provisional Application No. 60/159,553, filed October 15, 1999; U.S. Provisional Application No. 60/164,752 filed November 12, 1999. The respective disclosures of these applications are hereby  
10 incorporated by reference.

**FIELD OF THE INVENTION**

          This invention relates to a customer incentive method and system for generating customer incentives, particularly by rewarding customers with equity in a particular company with which the customer transacts  
15 business.

**BACKGROUND OF THE INVENTION**

          The recent explosive growth of E-Commerce has eliminated certain market inefficiencies that previously allowed merchants to charge premiums for their goods and services. Previously, a merchant that was  
20 conveniently located and offered intimate customer service could charge more than merchants selling in volume with minimal customer service. E-Commerce has eliminated proximity and previous definitions of "intimate customer service" as factors in customers' decision to buy and consequently has left merchants with no grounds to charge these  
25 premiums. Merchants are left with price-cutting as one of the only effective way to market their goods.

Some merchants have participated in programs intended to "incentivize" customers to be loyal long-term customers. Some of the many ways intended to incentivize customers include offering miles, cash rebates and coupons. However, these programs often fail to engender  
5 customer loyalty to the merchant. Instead, customers often bounce from merchant to merchant depending on which is offering the best price or incentive with little or no consideration of brand loyalty, etc.

An incentive system that converts credits from purchases into an investment vehicle, particularly a mutual fund is described in U.S. Pat. No.  
10 5,235,480. Similarly, a previous program, START, offered credits for transactions that were then invested in an annuity contract.

These programs, however, are not primarily directed to allowing customers to earn equity in the company with which they do business directly in proportion to the amount of business the customer transacts  
15 with that company. Thus, these companies fail to nurture a more symbiotic consumer/merchant that aligns the respective interests of the consumer and merchant.

Another problem created by the advent of the Internet is that investors in general have taken to investing on a considerably more short-  
20 term basis than even five years before. The commoditization brought on by E-Commerce mentioned earlier has a similar effect on trading securities. For online brokerages to compete, their commissions and fees have to be extremely low. Because they are so low, the investor is more apt to jump in and out of positions. Because of this, volatility in stock  
25 prices is at an all time high, and companies are struggling to find ways to maintain a loyal and consistent investor base. An option for keeping investors for longer periods of time is to incentivize them with bonus, coupons, and other specials for investing and maintaining positions. Eliminating volatility in stock price is necessary in many ways for a  
30 company to do business.

It would therefore be desirable for a system that effectively incentivizes customer to purchase from the respective merchant, incentivizes them to invest on a long-term basis in a particular company, and provides a way to raise and manage capital for the company.

5

### SUMMARY OF THE INVENTION

In accordance with the present invention, a system and method for providing a customer incentive program includes creating an account for a customer, which account is associated with a company that sells, directly or indirectly, to the customer; and awarding a security to the customer based on the customer engaging in particular customer activities to be rewarded, wherein the security comprises an equity interest in the seller. Acquiring the security on behalf of the customer includes determining a value associated with the particular customer activities to be rewarded and awarding the security on behalf of the customer in an amount based on said value.

According to one aspect of the invention, the amount of the security is determined based on a calculated dollar value of the particular customer activities to be rewarded divided by the market share price of the security. The security may be awarded through a direct stock purchase program whereby both whole and fractional shares of the security are awarded to the customer or the security may be purchased through a market. Alternatively, the security may be awarded based on options to the customer that are redeemable at predetermined times.

According to another feature of the invention, a dilution factor for the security is calculated based on outstanding shares of the security.

Accordingly, the present invention rewards customers with stocks or stock options issued by a seller or a seller's agent. It provides effective marketing, customer strategy, shareholder relations and financing for public and soon to-be public companies. Instead of giving various incentives such as discounts, rebates, cyber cash and redeemable points, the present invention allows seller of goods/services or its agent to give the customer incentive and rewards in the form of the seller's own stocks or options to purchase that stock. Thus, the invention provides an equity incentive to customers based on their purchase of seller's goods and services.

The customer may hold acquired stock options or stocks as a long-term investment or as a compounded-rate-discount when the stock price goes up.

In a preferred embodiment, a central controller or controllers with databases of customer's information includes customer purchases. After a period of time, the central controller allocates a reward incentive to customers' accounts as per their activities in the form of equity in the seller's company. The central controller records the average weighted stock price when the securities are bought, (if no new securities issued) and calculates the total securities (or a fractional) a customer is entitled to receive and post the amounts accordingly. When customers want to exercise their equity rights, they have the choice to sell for cash, receive stock for further appreciation. Optionally, the customer may receive a credit for merchandise. The method and apparatus of the present invention may be applied in particular in the context of an electronic commerce system.

#### **BRIEF DESCRIPTION OF THE DRAWINGS**

In the drawings:

Fig. 1 illustrates exemplary components of a system according to the invention.

Fig. 1A illustrates an alternative system in which a credit card bank participates in a system according to the invention

Fig. 2 is block diagram of a central controller according to an aspect of the invention.

5 Fig. 3 is block diagram of a customer's interface according to an aspect of the invention.

Fig. 4 is a block diagram of a seller's interface according to an aspect of the invention.

10 Fig. 5 is a flowchart illustrating a method for rewarding purchases in accordance with the present invention.

Fig 6 is a flowchart illustrating a process for a customer to purchase an item.

Fig. 7 is a flowchart illustrating a method for tracking purchases to be credited.

15 Fig. 8 is a flowchart illustrating a method for awarding options to purchase the seller's stock based on purchases.

Fig. 9 is a flowchart illustrating a method for the customer to exercise options.

20 Fig. 10 is a flowchart illustrating a method for awarding stock to a customer.

Fig. 11 is a flowchart illustrating a method for selling stock awarded to a customer.

### DETAILED DESCRIPTION

25 Preferred embodiments of the present invention are now described in reference to the drawings. It should be understood that the following examples are intended merely to illustrate aspects of the invention, rather than to limit the invention.

In accordance with an embodiment of the invention, a system includes a controller associated with a seller, a marketing network or outlet interface, a customer purchase device, and a seller's agent. As used herein, the terms "seller" or "selling company" refers to a particular  
5 company or a particular company's affiliate that sells goods or services to a customer, either directly (e.g., through the company's own distribution network) or indirectly (e.g., through non-affiliated retailers).

In accordance with such system, a customer purchases goods or services through a computer network or at a conventional store. The  
10 controller stores pertinent activity information for a particular customer, including the customer's purchases. The seller or the seller's agent grants the customer the seller's stock or options to purchase that stock. In the latter case, a customer stock option program grants the customer the right to buy certain number of stock shares at a fixed grant price for  
15 certain periods of time. Such rights can be subject to a vesting requirement. The stock option plan also includes giving customers the right to buy stocks at a discount.

Alternatively, the customer may be awarded stock through a stock program. The customer stock program gives customers stocks at fair  
20 market value or at a discount at the time of grant. It includes restricted stock, deferred stock, and other stock based awards. It also includes phantom stock or stock appreciation rights where the customer only receives the appreciation in the future without actually owning the stock. It further includes tracking stock.

25

#### **SYSTEM ARCHITECTURE**

By way of illustration, a particular system architecture is now described. It will be appreciated that the invention is not necessarily limited to the specific features described and can be implemented with equivalent architecture.

As shown in Fig. 1, the system includes a seller's controller 200, a customer interface 300, and a seller's agent 400. Each interface 300, 400 may be connected via a network, such as the Internet or by other means. The connection may be made over or using dedicated data lines, 5 cellular, PCs, microwave, or satellite networks or like networks. The seller's agent terminal 400 and customer interface 300 provide input and output gateways for communications with the central controller 200.

Such architecture enables the system to post an activity from a customer, such as a purchase of the seller's goods or services. It allows 10 the seller or its agent to give an incentive proportional to the value of the activity and gives the customer a piece of seller's or its agent economic future as a reward. The system may be internally administered by the seller or by a third party, bank or transfer agent. The seller's agent can also be the bank/transfer agent.

15 Alternative systems are possible. For example, the interface between seller and the seller's agent may be through a credit card system via a bank network. In such a case, when the customer applies for enrollment in the stock option program, the customer would sign an application for a credit card issued by a bank, like financial institution or 20 service provider. Purchases using the credit card are then transmitted to the credit card bank as an ordinary credit card transaction. The bank's system would then sort transactions by merchants that participate (i.e., have an incentive program according to the invention). Applicable transactions are then transmitted to the seller's agent, which rewards the 25 payee based on total purchase amount. More simply, the seller's bank/transfer agent may be the credit card bank itself.

In any case, the seller's stock or options for the seller's stock is granted by the seller or its agent. The agent can be any organization that has a direct or indirect business or non-business relationship with the 30 seller.



Fig 2 shows a network including a controller 200. The controller may comprise a computer having RAM 205, ROM 210, CPU 215, I/O devices 220 such as a clock, digital camera, keyboard and printer, payment processor 225, operating system 230, network interface 290 and data storage device 240. A PC or a workstation or a plurality of each may be used as controller 200. An Intel Pentium (TM) microprocessor may be used for the CPU. The controller may operate as a web server, both receiving and sending communications from the customer, seller, and seller's agent. As shown, the data storage device 240 contains a database related to the incentives program.

In this example, the database related to the incentives program includes a seller's reward database 260 from which factors used in determining the level of the reward, the percentage or amount, etc. are stored. The seller's securities offer database 262 contains terms and conditions of the offer, its purpose, the criteria for a customer in order to participate, and vesting requirements. This database 262 can be integrated with the seller's reward database 260. It also includes prospectus and other necessary regulatory information, such as that required by the SEC . It tracks when a seller is making a normal public offering. It also includes the fees charged when customers exercise their shares.

The customer securities database 266 includes fields associated with various customer information, such as name, address, phone number, ID number, social security number, email address, the customer's application form for the securities incentive offer, and the customer's agreement to the offer's terms and conditions. This information is obtained when the customer requests a prospectus and signs up for the program. Where applicable, it also includes evidence that a prospectus was delivered to the customer in satisfaction of the SEC delivery requirement. The database 266 further includes total accumulated purchases amount, securities rights to be vested, previously vested rights and exercise information with tax withholding information. In addition, it advantageously may include all communications with the customer with directives for action to be taken in regard to such communication request, such as exercise request, dates, price and other requests.

The seller's bank/transfer agent database 268 is an optional database. It may be used for outside securities administration. It may include the bank's name, address, contact person, phone number, fax, and email address.

The database system according to the invention does not require any proprietary software. Any commonly available software such as, Oracle software, can be used.

As illustrated in Fig. 2, the network interface 290 provides a gateway to communicate with the customer and seller's agent through their respective interfaces. In an e-commerce system, a network interface may be connected with the Internet. And any web communication software such as Netscape Explorer 4 can be used.

While the illustrated embodiment utilizes a single computer network 200, a single customer 300 and a single seller's agent 400, it should be appreciated that they may each comprise several individual components.

Fig. 3 and Fig 4 respectively illustrate in more detail the customer interface 300 and the seller's agent interface 400. As shown in Fig. 3, the customer interface includes RAM 305, ROM 310, a CPU 315, various I/O devices, a communication port 320, a message database 340 and modem 350. The seller's interface 400 similarly includes RAM 405, ROM 410, a communication port 420, I/O devices 430, storage device 440 and modem 450.

As generally noted above, the seller's agent can be any of several different entities, such as a marketing firm, a contracting firm, an affiliated subsidiary/parent/sister of the seller or any organization that has business relationship with the seller. The seller can be a vendor, a provider of goods and services, a distributor, a wholesaler, a retailer or any organization with the intent to sell. In case the grantor is the seller's agent, the agent would have the storage device 440, which will replace the seller's database 260-268. The agent's storage device 440 includes the reward database 460, securities offer database 462, and seller database 464, customer securities database 466, and optional bank/transfer agent database 468.

The reward database 460 stores records reflecting the methodology used in determining the level of the reward for purchases with each seller and/or with the agent. The securities offer database 462 contains the terms and conditions of the offer, its purpose, the criteria for a customer in order to participate, and any vesting requirement. It can be combined with database 460. It also includes prospectus and other information required by SEC and states when the agent is making a normal public offering. It further contains fees when customers exercise their shares.

The seller database 464 contains information about each seller with fields for name, address, main business, contact person, phone number, fax number, and email address. It should also include contracts between seller and the agent, seller's payment information for the agent's value added service and other relevant information. Customer securities database 466 includes fields such as name, address, phone number, ID number, social security number, email address, customer's application form to the securities incentive offer, and the customer's agreement to the offer's terms and conditions obtained when the customer requests a prospectus and signs up for the program. It should also include evidence that a prospectus was delivered to the customer in satisfaction of regulatory (e.g., SEC) delivery requirement. It further includes total accumulated purchases amount with different sellers, securities rights to be vested, previously vested rights and exercise information with tax withholding information. In addition, it should include all communications with the customer with directives for action to be taken in regard to such communication request, such as exercise request, dates, price and other requests.

Like database 268, the bank/transfer agent database 468 is optional. It supports for external securities administration. It may include the bank's name, address, contact person, phone number, fax, and email address.

### **EXAMPLES OF OPERATION**

By way of example only, methods of operation for the system are now described. Various variations in such methods will be apparent.

Fig. 5 illustrates a program for rewarding purchase activity using electronic commerce. At 510, the seller determines the incentives and conditions of the program, including any vesting schedule requirement. The conditions may include some minimum annual purchase limit for a customer and the methodology for determining the securities price. It further may include any administrative fees charged by the bank/transfer agent.

As discussed in greater detail below, the program conditions should comply with applicable regulatory requirements. For example, in the U.S., if the seller decides on in-house administration, the seller must register with SEC as dealer-broker, and such fees must be reasonably related to actual administrative costs.

The conditions of the program may also include securities sale restriction as well as the reward discount. As described below, the reward can be a sale discount or a percentage of overall incremental earnings resulted from the incentive offer.

Several ways of computing the award are possible. One way for doing so is to determine incremental earnings using any increase over the seller's compounded annual growth of earnings per share, or using any increase over the seller's average rate of return on equity and/or return on sales for the past few years as the criteria. Another way may be based on the earning increase from the seller's yearly budget by the company or earning estimate consensus by selected analysts.

The conditions are then stored in the securities offer database 262, and the determined reward percentage is stored in the reward database 260.

At 520, the seller files applicable registrations, for example, in the U.S., SEC and state registrations. In the U.S. if the seller decides to offer stocks purchased from the open market, it will also file a DRSP registration. All regulatory approvals are stored in database 262. At 530,  
5 the seller announces the offer by general solicitation.

Once the customer decides to enroll, at 540, the customer asks for a prospectus and, at 550, signs all necessary agreements and application form stored in database 266. At 560, the central controller stores such agreement and opens an account before sending confirmation with ID and  
10 password (570). If external administration is used, the bank/transfer agent will open the account.

Fig. 6 illustrates a process in which a customer logs onto seller's website (610) and establishes a communication link. At 620, the customer purchases merchandises from the seller. Of course, the  
15 customer may be an individual, a corporation, a partnership, government, or any other entity. The customer may also be a buyer, a consumer, a distributor, a retailer or a target for the seller or its agent.

As shown at 680, the central controller for the seller recognizes revenue from the transaction. At 685, the controller posts the sale to the  
20 customer's purchase database.

As illustrated in Fig 7, the central controller updates sales after delivery (710) and periodically checks any returns (715). If there are no returns (725), the central controller adds up the total purchase amount and posts the amount to the customer securities account (725). A  
25 statement is then sent to the customer.

## OPTIONS OFFER

Fig 8 illustrates an example in which stock options are rewarded to the customer. As shown, after a certain period, the central controller reviews each customer's accumulated purchases (810). The central controller calculates the rewards for each customer by extracting the reward percentage stored in database 260. It searches for customer meeting the offer's criteria (820), such as the minimum purchase amount. It further posts (830-850) the reward amount proportionally to the eligible customer as per their purchases. The individual amount allocated will be customer's total reward that period.

For example, suppose that the seller has announced that a minimum purchase of \$2000 will get a 10% reward discount. The reward will be granted in stock options at weighted average price for that year which is \$20/share. A particular customer has an accumulated purchase of \$2500 at the year-end. Accordingly, he will receive a reward of 12.5 stock options ( $\$2500 \times 10\% / \$20$ ).

The central controller then expenses the option grant costs (860) at fair value method. In determining the fair value of total options costs, the Black-Scholes option-pricing model may be used. For private companies, some alternative methods such as the minimum value method may be used. The central controller also sends the customer his grant statement (870).

As the customer accumulates option shares through a long period of time, its option grant price will be different every year. The customer may also get a fractional share. As the customer accumulates more options or gets stock split over the years, the fractional right will be growing until it becomes one share. The base will be a further average weighed cost.

Fig 9 illustrates a process in which the customer contacts the seller with instructions to exercise for hold (for certificate) 910. These instructions may be written, by facsimile, telephone or website contact. The central controller first determines if the request meets vesting requirement 915. If so, the controller executes the order (930) with a purchasing payment from the customer, crediting the customer's account with stock shares after tax withholding and fees (935). The controller also sends customer an order confirmation (945). The central controller then records such transaction (950) in accordance with regulatory requirements, such as Internal revenue Code of 1986 (Code) Section 301-311 and registers the customer as a shareholder. The seller also sends the customer any necessary forms, such as a 1099- form at year-end with a copy to IRS, 940.

The central controller then may issue new stock in the name of the customer in the appropriate amount (955). The customer is then registered as a shareholder (960).

Alternatively, the customer may also exercise his rights for cash. In that case, the customer sells the options and receives the cash spread between the grant price and the exercise date price after fees and taxes. If the securities administration is by external bank/transfer agent, the customer will exercise his rights through the bank's website. The bank/transfer agent will have an interface with the seller regarding total shares granted, its vesting requirement, exercising information and etc. for a particular customer. The interface can be connected by data lines, cellular, PCs, microwave, satellite networks or by mail and fax.

The seller may forfeit the customer's stock options, if the customer fails to keep meeting additional conditions, if any. For instance, the customer should maintain certain amounts of annual purchases before his options are fully vested.



Based on the customer's past purchases, the seller may also reward the customer with stock options as a token of appreciation with little or no conditions. In that case, the customer may exercise the options right away subject to some vesting requirements, if any.

5           The seller may also decide that its agent will grant the stock options. In that case, the agent will file with the SEC and states and get their approval, which will be stored in database 462. The agent will make the stock options program available globally. When customers register for application to the offer, the customer's personal information will be stored  
10 in database 466. At year-end, the seller's central controller will sort and post all customers who have fulfilled seller's conditions such as meeting the minimum purchase requirement to its agent's CPU using their unique ID or email address. The CPU will extract the reward from its database 460 and allocate the discount reward accordingly. It further calculates  
15 total stock options that a customer is entitled by accessing its securities database 462 and the stored information in its customer database 466. When the customer wants to exercise, the customer can log onto the seller's agent website directly or indirectly through seller's website.

#### **STOCK OFFER**

20           Fig. 10 illustrates an example in which the seller is awarded stock. Specifically, the seller's reward proceeds are used to buy the seller's stocks, for example, in an open market rather than being issued new shares.

In this example, at some predetermined time, such as year end, the central controller goes through steps similar to 810-840 as mentioned in Fig. 8, and notifies the customers of the rewards amounts (1015). The central controller expenses the total discount amount (1020). Again, regulatory requirements are observed. For example, in the U.S., if the seller decides on in-house administration, it will file with SEC; otherwise it wire the funds to the bank/transfer agent with the customer's total purchases and discount amount reward (1025). The bank then buys stocks on open market (1030). The central controller calculates the customer's total stock shares by dividing the reward amount by the weighted average market price at which the stock was bought (1035). The central controller notifies the customer total shares to which he is entitled and its cost base (1040). The central controller also credits shares to individual customer's accounts in its database. It then registers the customer as shareholder (1045).

Fig. 11 illustrates a process in which the customer contacting the seller to sell the customer's stocks (1105). The instruction may be written, by facsimile, telephone or through agent's website or like communication means. The central controller decides if such request meets its vesting and sale restrictions (1115). If so, the central controller executes the order (1120) by crediting the customer with cash after tax & fees (1125) and books the transaction according to applicable regulations, such as Internal Revenue Code of 1986 (Code) Section 301-311 (1130, 1135). If not, central controller alerts the customer that any unqualified sale will result in closing the account (1140). If customer still wants to sell (1145), the central controller will execute the order and send the customer a check or stock certificate and close the account (1155). Otherwise, the customer just cancels the sale request (1150).

Again, the seller may forfeit the stock rights by imposing conditions on customers such as maintaining annual purchase amounts. The seller may also give away stock rights to existing customers as a token of appreciation with little or no conditions. In that case, the customer  
5 becomes a shareholder immediately and may sell the stocks subject to sales restrictions, if any.

The seller may also decide that its agent grants the stock. In that case, the agent files in accordance with applicable regulations, such as with the SEC and states authorities including a DRSP. Obtained approval  
10 are be stored in database 462. The agent then makes the stock offer available globally. When customers register for application to the offer, personal information will be stored in database 466. At year-end, the seller's central controller will sort and post all customers who have fulfilled seller's conditions, such as meeting the minimum purchase  
15 requirement, to its agent's CPU using their unique ID or email address. The CPU extracts the reward from its database 460. It expenses the reward at fair market value. In case the agent decides on in-house administration, it files with the SEC as broker/distributor and buys stocks from the open market with the reward proceeds. The agent's CPU  
20 calculates the customer stock shares by dividing the reward amount by the weighted average market price at which the stock was bought. All this information will be stored in its customer database 466. When the customer wants to exercise, he can log onto the agent's website directly or indirectly through seller's website.

25 It will be appreciated that merchants may face dilution of their equity when granting existing customer stock or options. Merchants must book the costs of such stock grants according established accounting rules. Thus stock shares will increase, while earnings may decrease. However, the inventor has found a break-even point between the EPS  
30 growth and stock share increase.

According to an aspect of the invention, when designing the incentive program, the Seller and its agent may use the break-even formula to deciding the maximum reward percentage they can give without decrease their earnings per share. The formula follows:

$$5 \quad Gc/E0 + (Sh1-Sh0)/Sh0 = E0/S0$$

where  $Gc = S1 \times M/PO \times R\%$

The variables are:

Gc: total estimated granting costs

E0: present period net earnings

10 Sh1: total stock shares and options for next period, due to the stock option program

Sh0: present total shares issued and outstanding

S0: total present period sales

S1: total expected sales for next period

15 M: estimated stock potential payoff, expressed as costs discounted to net present value according to Black-Schole's

PO: present stock price (grant price)

R%: the maximum reward percentage of a sale for the business to use before the dilution

20 Business often give customers an incentive and/or reward for an activity including a purchase such as rebates, coupons, discounts, redeemable points and or free mileage. Instead of giving the incentives and rewards back to the customer, the seller and/or its agent can keeps the proceeds and convert to stocks or stock options at a non-free stock  
25 price decided by the seller and/or its agent. The price may be the fair market value on the date of the purchase, the weighted or un-weighted average market price during a period, or on the date the plan is announced. The seller and/or its agent may issue the stock and options.

The seller and/or its agent may keep the proceeds for new business opportunity and/or to buy stocks from the open market for the customers' future exercise. They may also give the customer a credit or put the money in a designated customer account, such as a credit card account, with which the customer can buy their stocks in a direct stock purchase plan (DRSPP program).

When the customer wants to exercise his rights for a certificate or cash, the seller and/or its agent can either issue new shares, in case the reward is used for investment or just sell the stocks bought earlier to meet the exercise requirement.

Preferred embodiments of the invention have now been described. It is to be understood that various modifications will be apparent to those skilled in the art. It is to be understood that the invention is not limited to the details of any disclosed embodiment, but are defined by the appended claims.

**WHAT IS CLAIMED IS:**

1. A method of providing a customer incentive program comprising:

creating an account for a customer, which account is associated with a selling company; and

awarding a security to a customer based on the customer engaging in particular customer activities to be rewarded, wherein the security comprises an equity interest in the selling company.

2. The method according to claim 1, wherein awarding the security on behalf of the customer comprises:

determining a value associated with the particular customer activities to be rewarded;

awarding the security to the customer in an amount based on said value.

3. The method according to claim 2, wherein the amount of the security is determined based on a calculated dollar value of the particular customer activities to be rewarded divided by the market share price of the security.

4. The method according to claim 3, wherein the security is transferred to the customer through a direct stock purchase program, whereby both whole and fractional shares of the security are awarded to the customer.

5. The method according to claim 4, wherein awarding the security on behalf of the customer includes purchasing the security on behalf of the customer at market value.

6. The method according to claim 1, further comprising calculating a dilution factor for the security based on outstanding shares of the security.

7. The method according to claim 6, wherein the amount of the security available to the customer is based on the calculated dilution factor.

8. The method according to claim 1, wherein the customer activities include purchasing the selling company's goods or services.

9. The method according to claim 1, wherein awarding the security to the customer comprises:

determining a value associated with the particular customer activities to be rewarded;

assigning an option to the customer to acquire the security in an amount based on said value;

exercises the option.

10. The method according to claim 1, further comprising maintaining an account record including the aggregate shares of the security held on behalf of the customer.

11. A customer incentive system in which an account is created for a customer, which account is associated with a selling company, wherein securities are awarded to the customer based on the customer engaging in particular customer activities, characterized in that the security comprises an equity interest in the selling company.

12. The system according to claim 11, wherein the security is awarded to the customer by determining a value associated with the particular customer activities to be rewarded, and the security is awarded to the customer in an amount based on said value.

13. The system according to claim 12, wherein the amount of the security is determined based on a calculated dollar value of the particular customer activities to be rewarded divided by the market share price of the security.

14. The system according to claim 13, wherein the security is transferred to the customer through a direct stock purchase program, whereby both whole and fractional shares of the security are awarded to the customer.

15. The system according to claim 14, wherein awarding the security on behalf of the customer includes purchasing the security on behalf of the customer at market value.

16. The system according to claim 11, further comprising calculating a dilution factor for the security based on outstanding shares of the security.

17. The system according to claim 16, wherein the amount of the security available to the customer is based on the calculated dilution factor.

18. The system according to claim 11, wherein the customer activities include purchasing the selling company's goods or services.



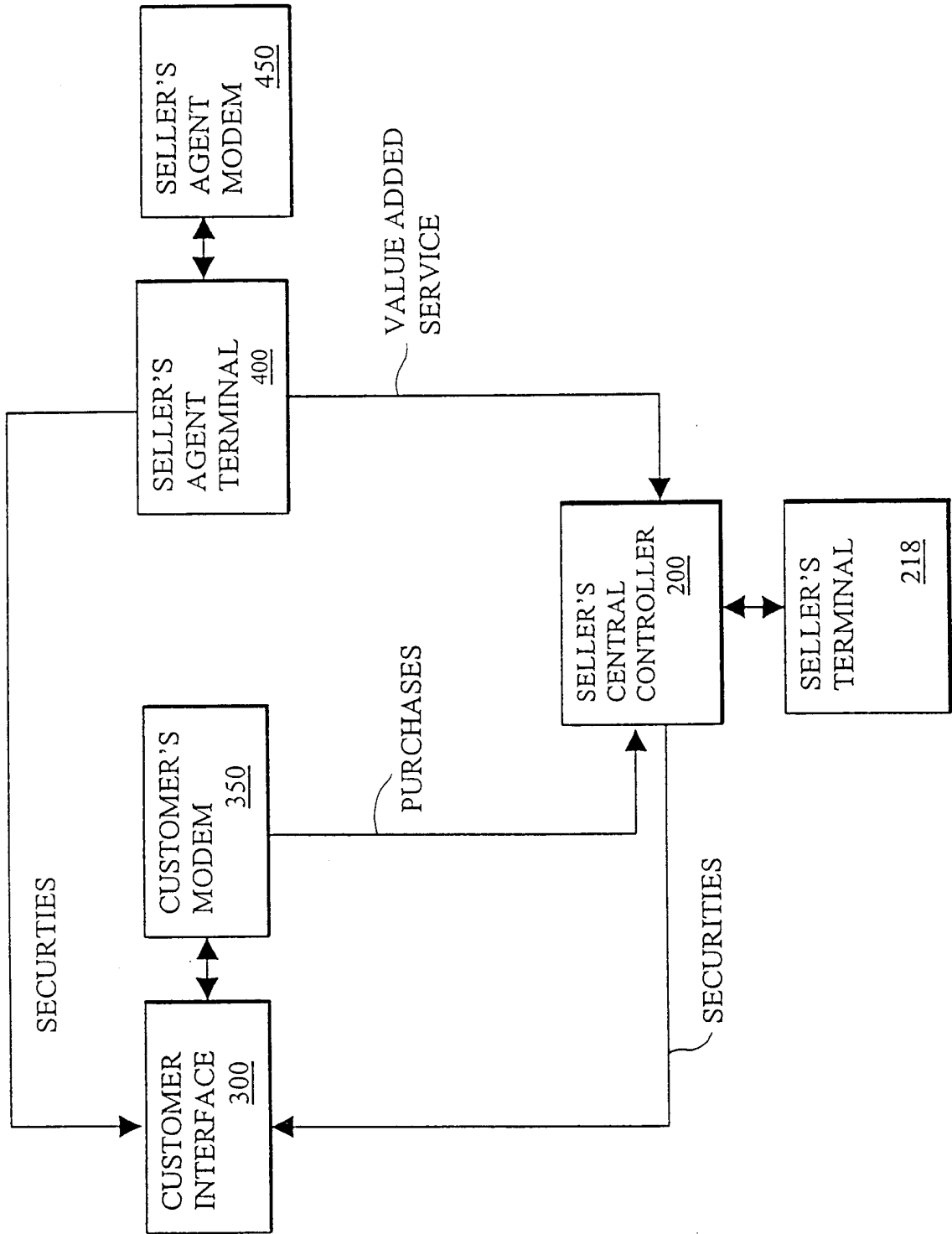
19. The system according to claim 11, wherein awarding the security to the customer comprises:

determining a value associated with the particular customer activities to be rewarded;

assigning an option to the customer to acquire the security in an amount based on said value;

exercising the option.

20. The system according to claim 11, wherein an account record including the aggregate shares of the security held on behalf of the customer is maintained.



**FIG. 1**

FIG. 1-A

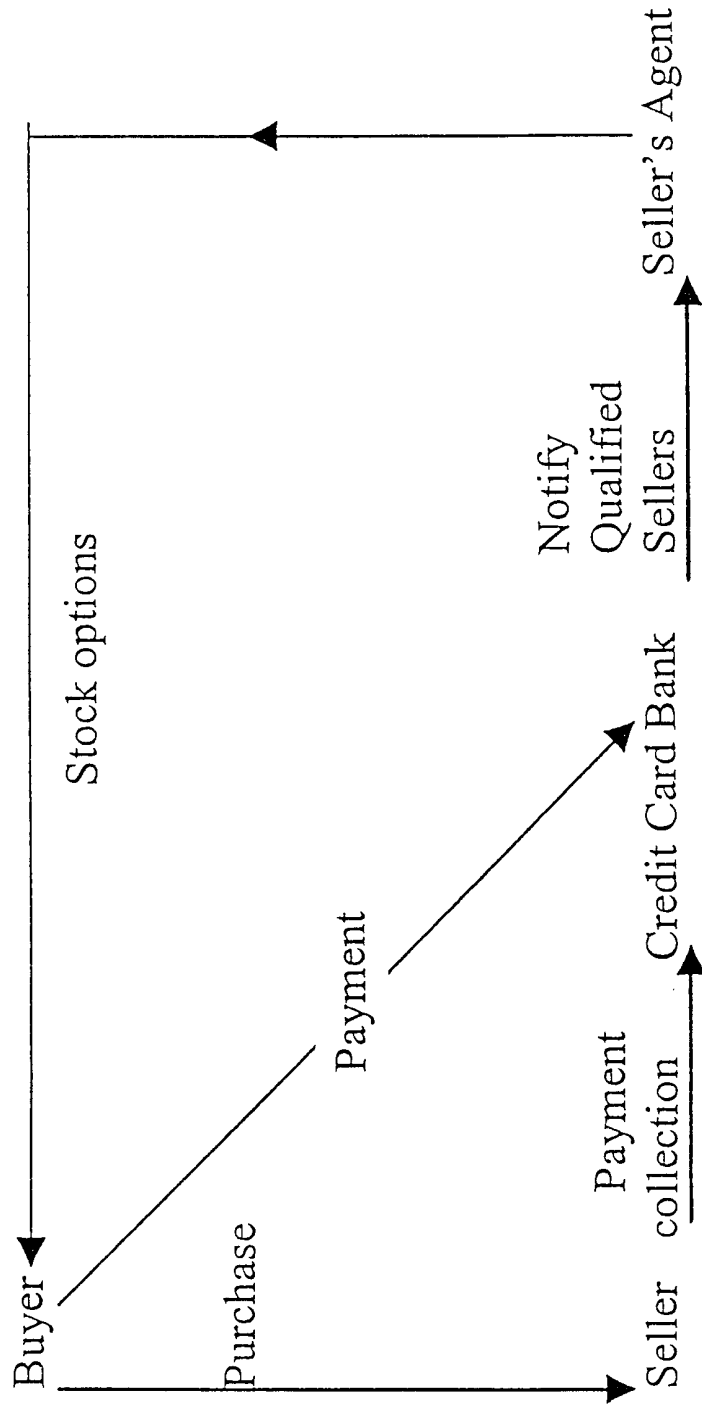
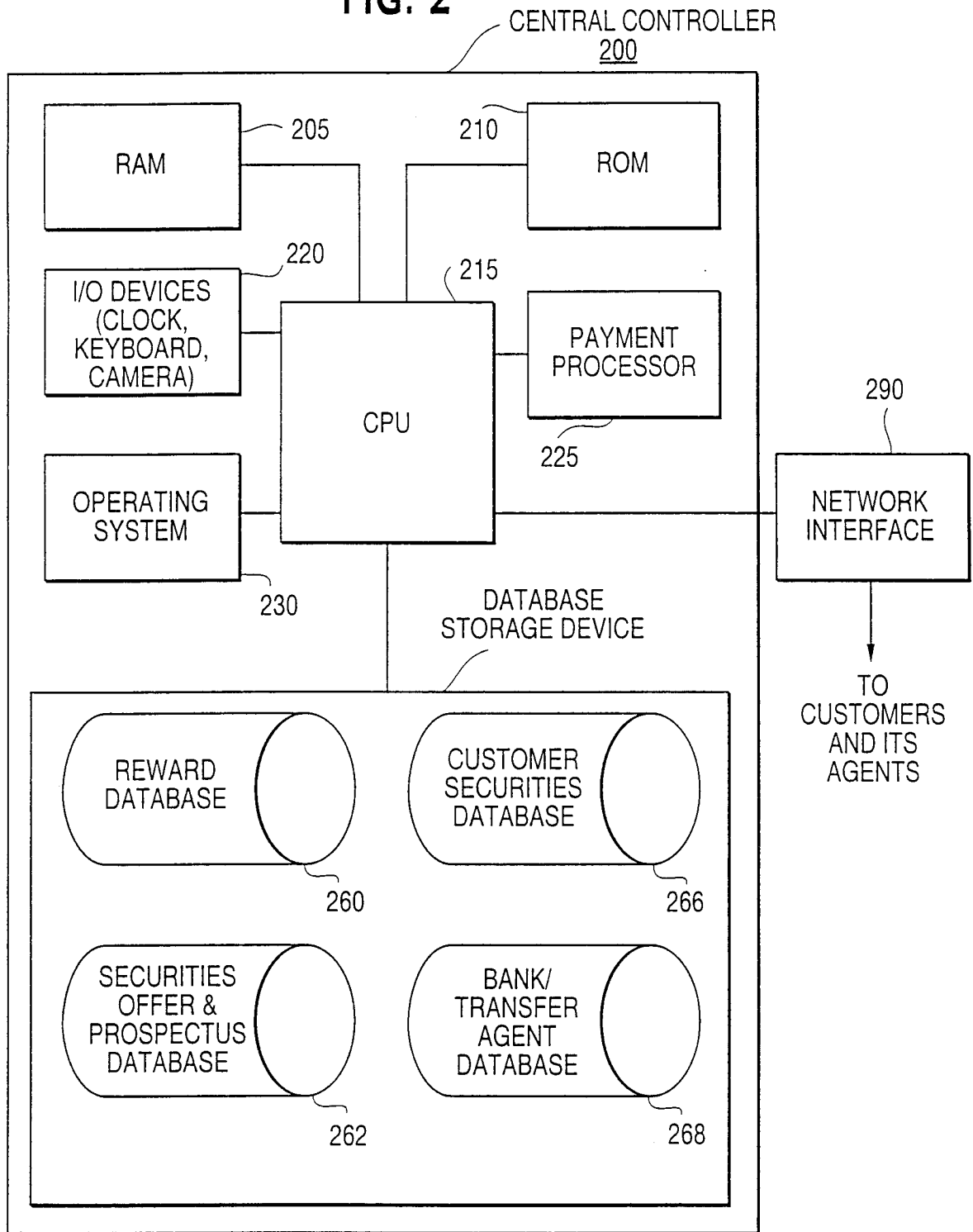


FIG. 2



**FIG. 3**

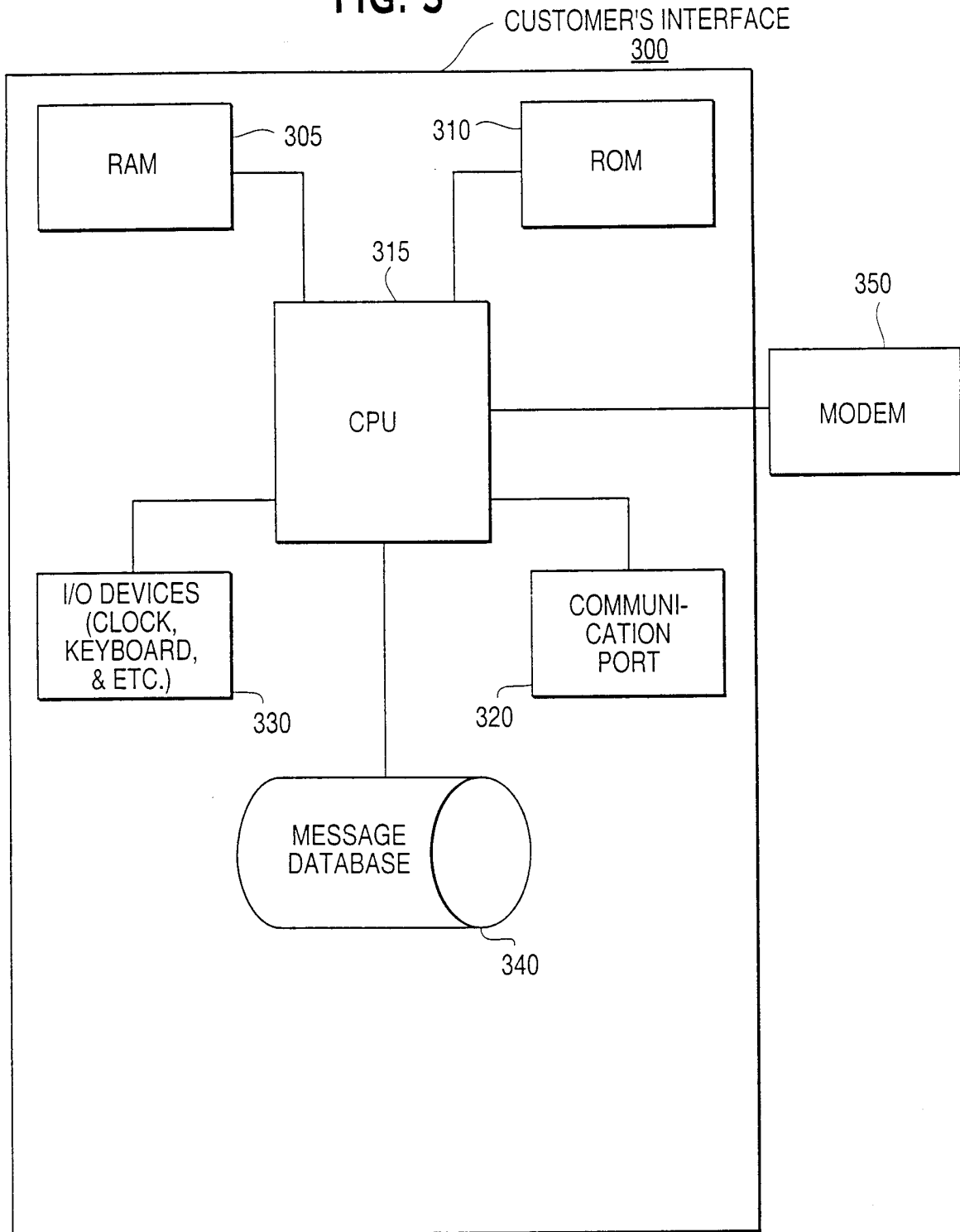
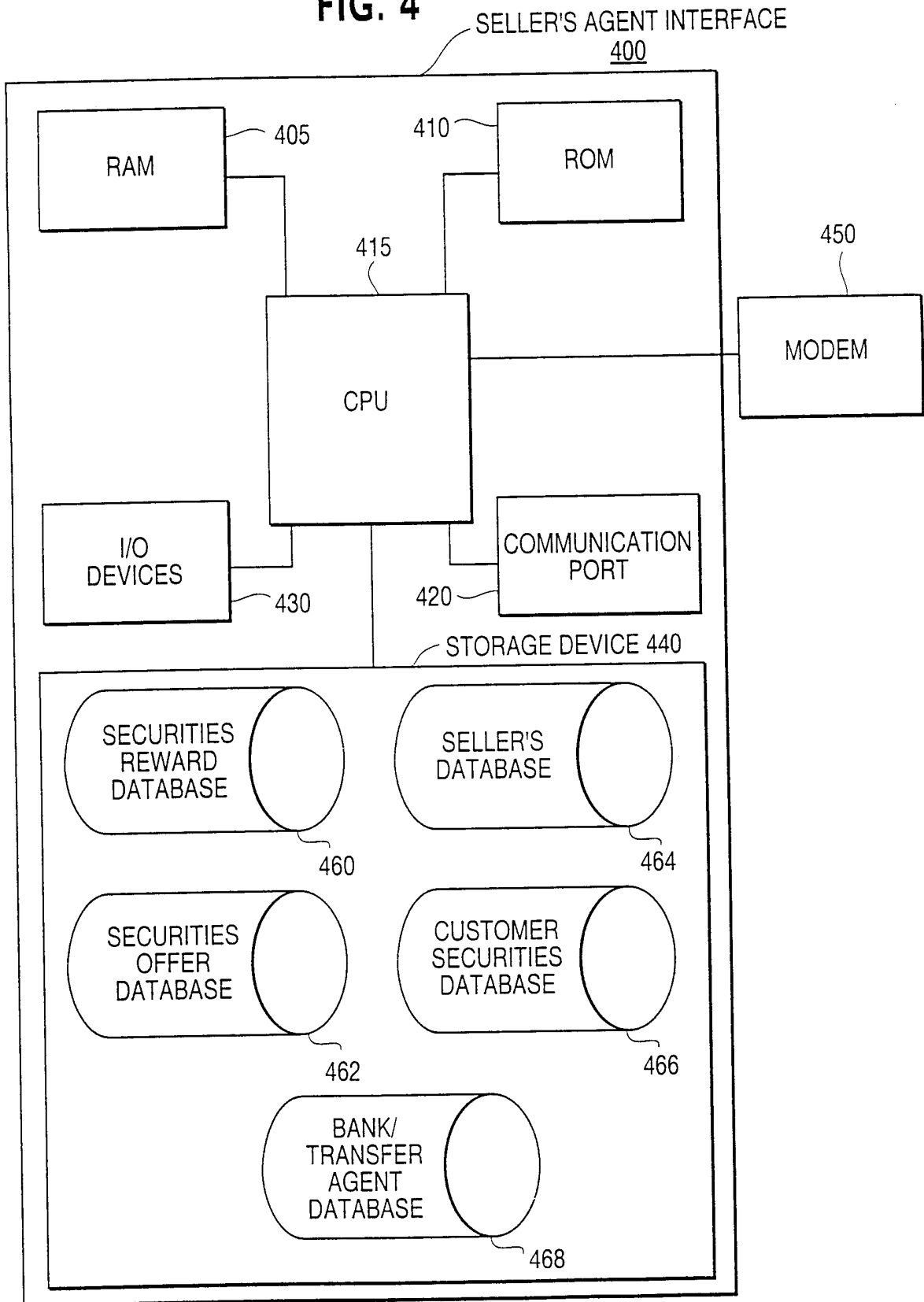
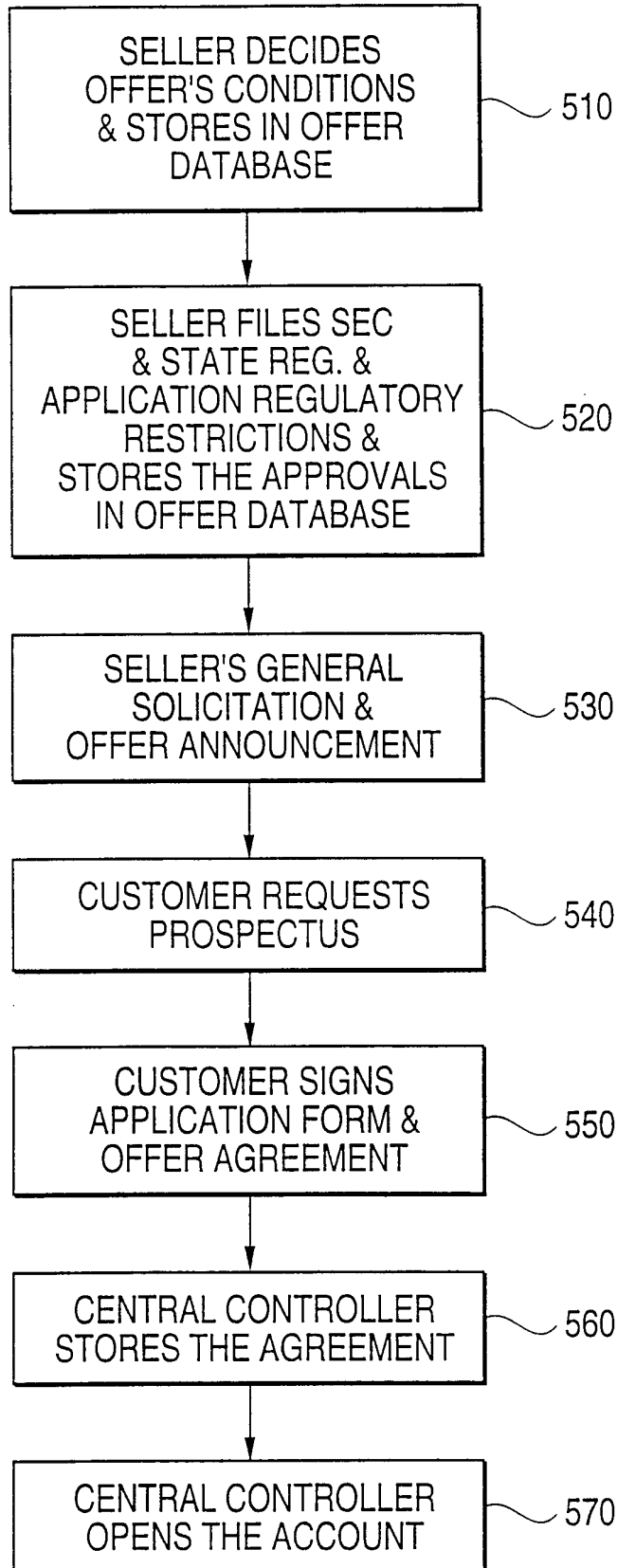


FIG. 4



**FIG. 5** <sup>6/12</sup>



**FIG. 6**

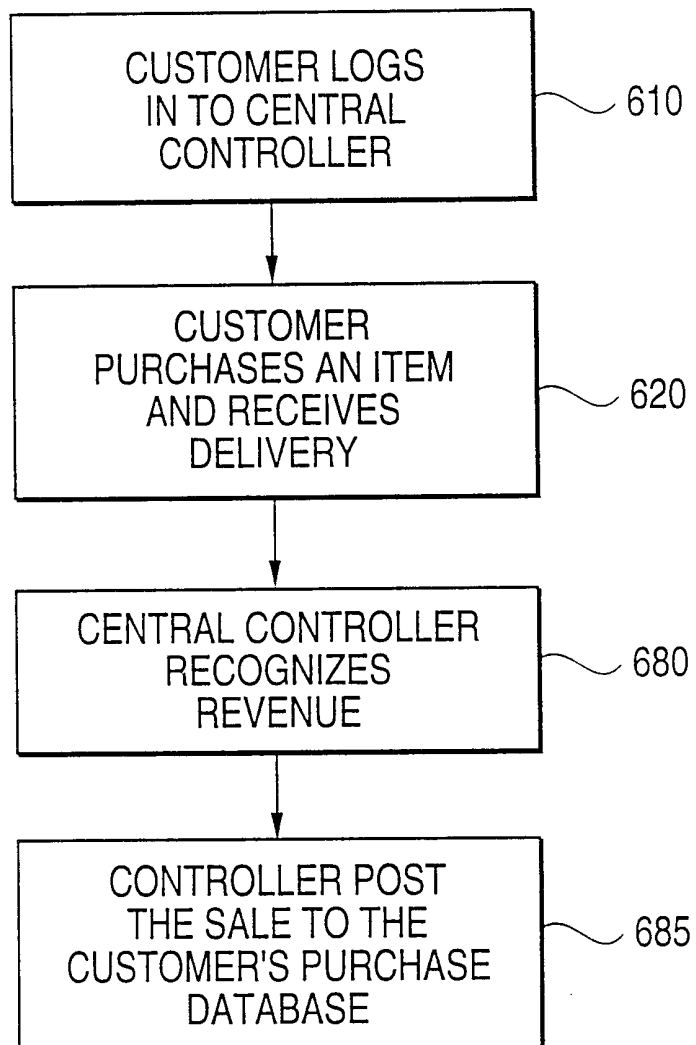
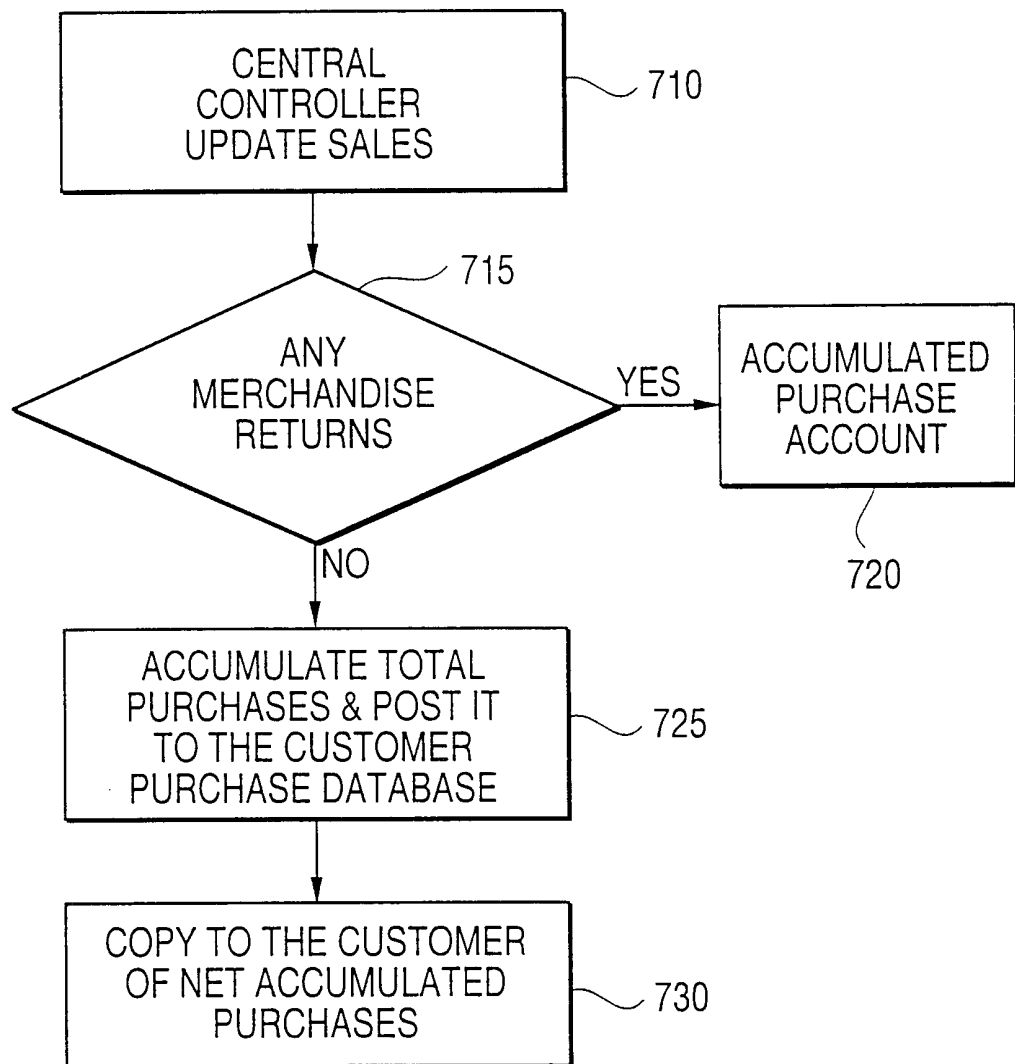


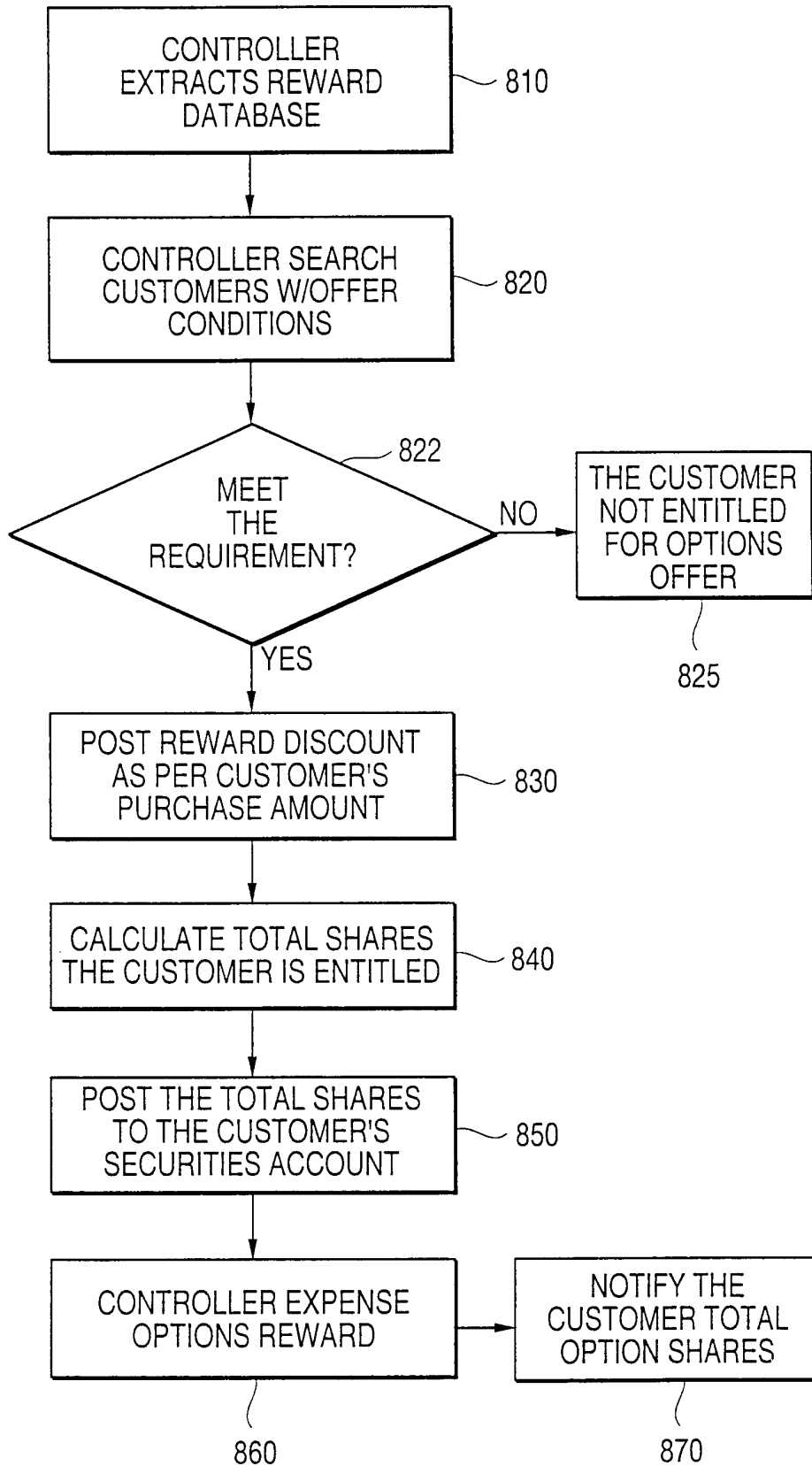


FIG. 7



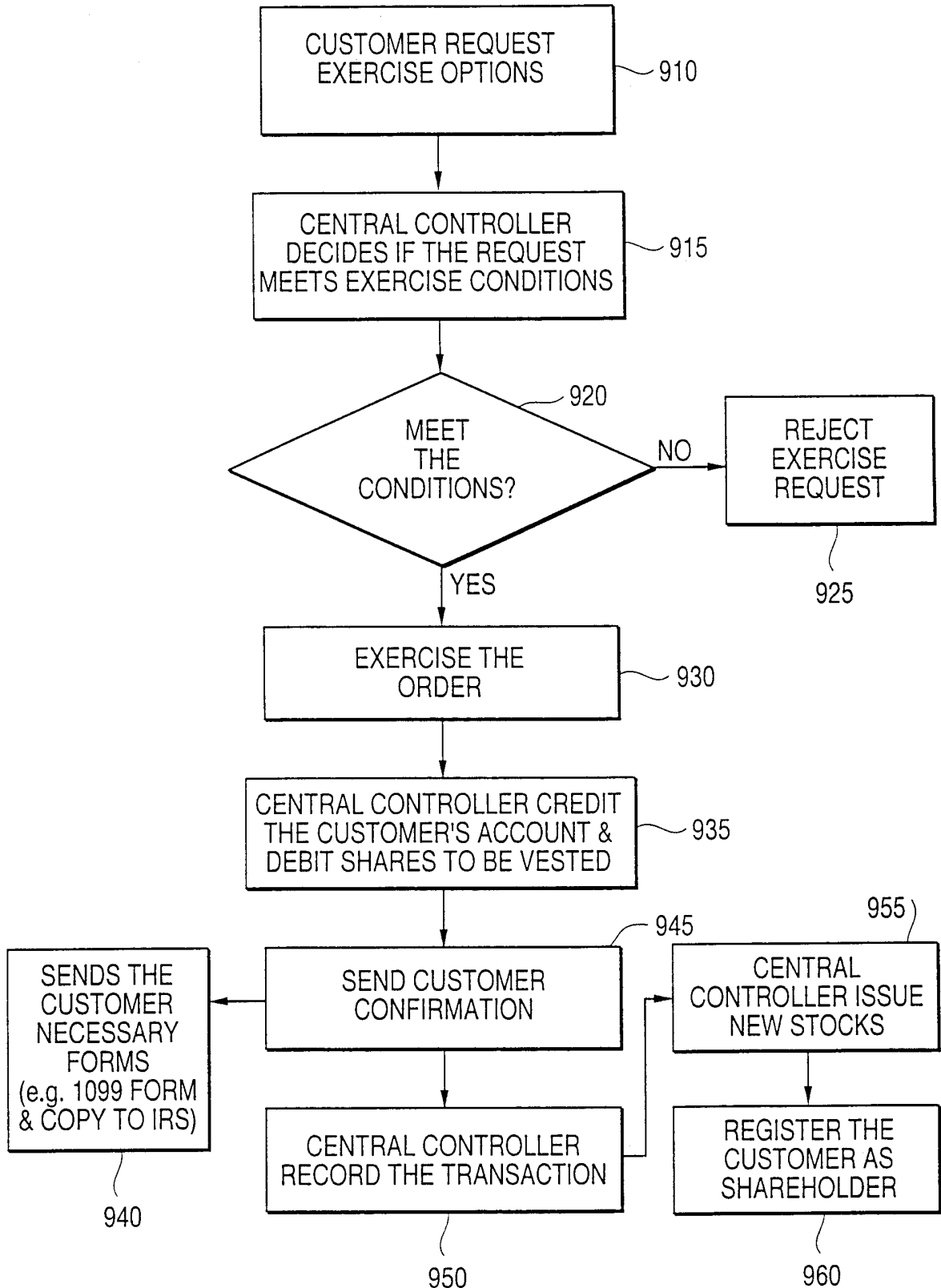
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FIG. 8

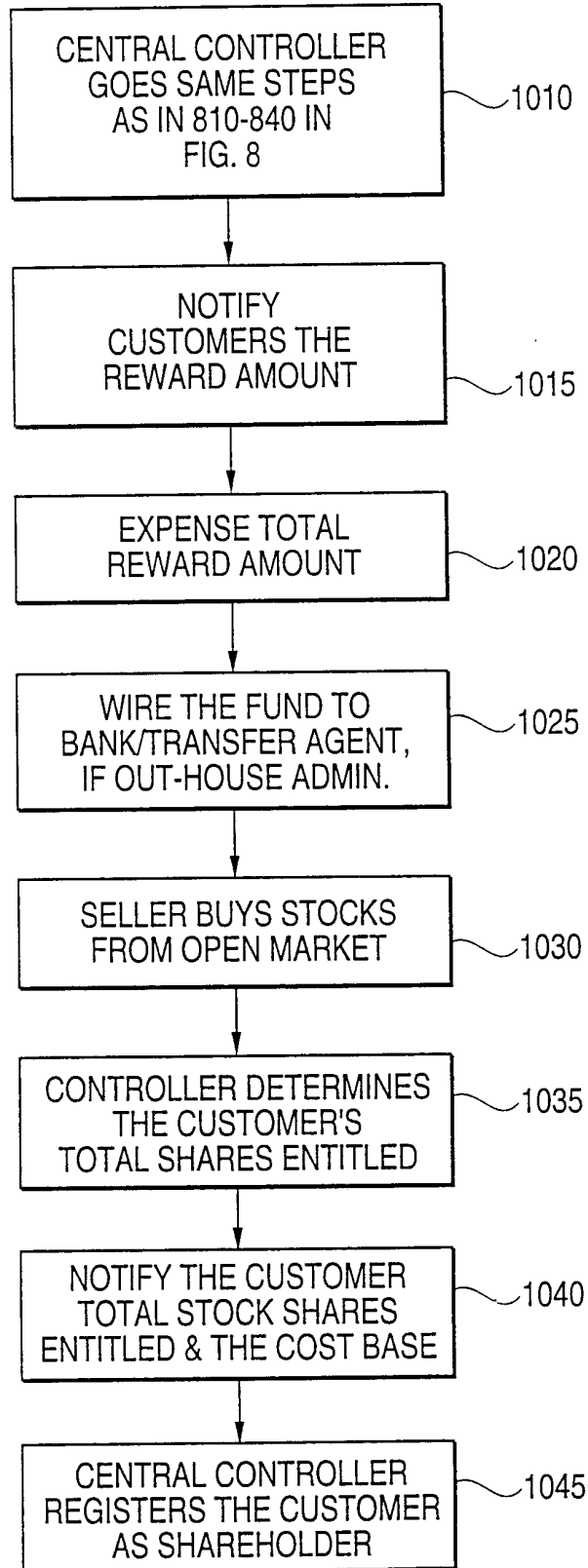


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FIG. 9

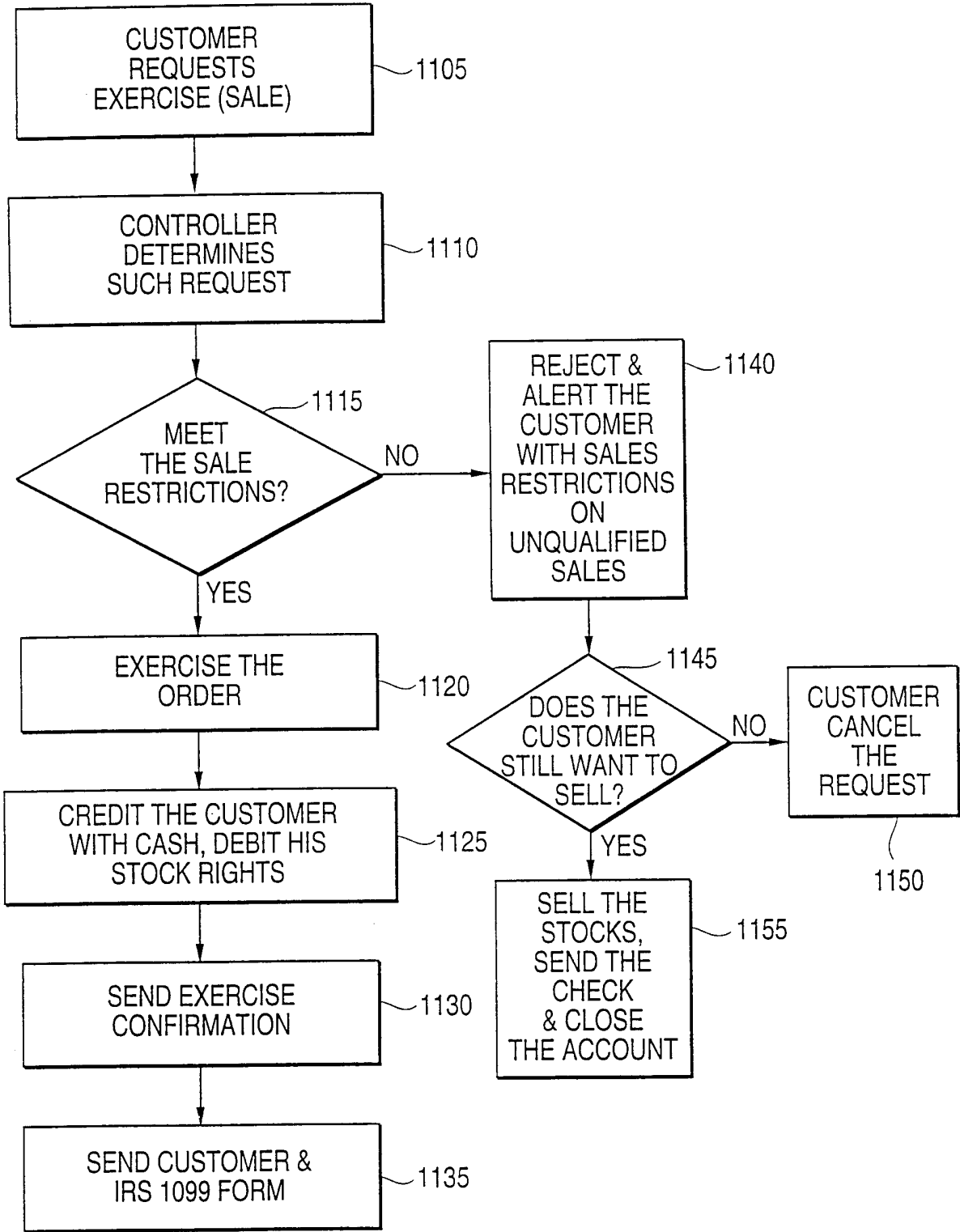


**FIG. 10**



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FIG. 11



## INTERNATIONAL SEARCH REPORT

International application No.

PCT/US00/19730

## A. CLASSIFICATION OF SUBJECT MATTER

IPC(7) :G06F 17/60

US CL :705/14,1,500

According to International Patent Classification (IPC) or to both national classification and IPC

## B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 705/14,1,500

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

WEST, STN, EAST

## C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
X	US 5,233,514 A (AYYOUBI et al) 03 August 1993, abstract, lines 1-16, col. 15, lines 24-52, col. 16, lines 32-37.	1, 2, 8, 9, 11, 12, 18, 19
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Y		3-7, 10, 13-17, 20
Y	US 5,765,141 A (SPECTOR) 09 June 1998, abstract, lines 8-17, col. 4, lines 21-31, col. 7, lines 10-17.	3-5, 13-15
Y	ALLINGHAM, MICHAEL, Complex Derivatives, Dynamic Arbitrage and Mars' Made Simple, Electronic Banking & Finance, November 1990, page 2, lines 5-12.	6,7,16,17

 Further documents are listed in the continuation of Box C.
  See patent family annex.

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*O* document referring to an oral disclosure, use, exhibition or other means	
*P* document published prior to the international filing date but later than the priority date claimed	

Date of the actual completion of the international search

25 SEPTEMBER 2000

Date of mailing of the international search report

14 NOV 2000

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## INTERNATIONAL SEARCH REPORT

International application No.  
PCT/US00/19730

C (Continuation). DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
Y	Tremenco Resource Stock Options Granted, Business Wire, 15 January 1998, pp. 01150254, lines 7-12.	10, 20