PayLive Product Summary

PayLive is a smartphone alternative to using physical credit cards for in-person purchases. It is a secure, safe, and easy way to make in-person retail payments. PayLive is smartphone agnostic. All buyers *using any modern smartphone in the market today* can make cardless credit card purchases.

Note that reference to credit cards always means credit, debit, prepaid, store, and gift cards.

Objective
PayLive is a new invention that defines a secure digital credit card payment process designed to work on all modern smartphones today. The seller's credit card reader is upgraded with PayLive code extensions. PayLive then integrates into a merchant's *existing* credit card processing system between the merchant's existing POS System and their Credit Card Provider or gateway.

Overview
PayLive is a digital payment system based on the paradigm of credit card payments made through the use of a smartphone. PayLive does not care what smartphone the retail buyer uses because all modern smartphones are supported, without the use of smartphone vender's proprietary NFC chips.

The buyer stands at the sales counter with a product or service to pay by credit card. They open the PayLive App on their smartphone. If the buyer has previously designated a default card the smartphone immediately reads the transaction QR Code displayed on the merchant's credit card terminal and within seconds the payment is complete. No further action is necessary.

Without a previously designated default card the PayLive App displays a graphical wallet of available credit cards for use. The buyer touches the card for this purchase. The buyer's PayLive App completely facilitates the processing of the buyer's payment. The app manages the communication of secure credit card data to the merchant's credit card terminal via PayLive's proprietary secure services in the cloud.

For most purchases the transaction is done. For unusually larger purchase amounts the buyer *may* be asked to sign their signature on their phone or the card reader terminal. For debit cards they may be asked to enter their PIN. The transaction ends with a simple summary of the sale amount displayed on the buyer's phone. Optionally, a purchase receipt can be printed by the retailors POS System or sent to the buyer's email address.

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What problem does PayLive solve?
Today consumers are comfortable making purchases with their credit cards. PayLive's innovative design extends the successful credit card paradigm that buyers like and utilize with new benefits. PayLive delivers a safer, faster, and more flexible scenario for the consumer to make purchases using their trusted and familiar smartphone.

The in-person retail sales scenario is a buyer standing in line and paying with their plastic credit card. This model has inherent vulnerabilities of loss, theft, and miss-use resulting in extra time, lost money, and identity theft. The solution is the ability to buy the same products, with the same credit capability, without the need to carry a wallet of physical cards. Instead, you use the same smartphone that you already have with you. Make secure payments that reduce the payment time at the register and fundamentally eliminate the lost or stolen card problem. PayLive's design provides the best protection against identity theft attributed with physical credit card use.

Competitive landscape
There are a number of digital "solutions" in the market today but each has its own operational niche that makes it limited in the service provided. PayLive is designed to work on all modern smartphones without regard to a proprietary technology or phone manufacturer, at all types of physical retail stores.

PayPal was the first to solve the payment puzzle for those who needed *online* credit card processing but had previously been unable to get it. PayPal does not integrate into a large merchant's current credit card provider but is an alternative payment provider. Such a design is not a fit with large brick and mortar merchant chains. PayLive *does* integrate into the merchant's current credit card provider in an easy and transparent manner. Where PayPal is very appropriate for online payments on websites, PayLive is the better design for in-person payments.

Stripe is the current payment competitor to PayPal. It is a payment processing gateway and not realistically suitable for payments at a retail store with their own gateways.

Square solves the problem for small merchants. Square is different than PayLive as it is a credit card processor and gateway and requires the merchant to use them as their credit card provider. This is not an option for large retail entities. Square's focus is on servicing the small merchant, like a craft person, who never had a physical credit card processing capability. PayLive is focused on the large brick and mortar merchant chains that have long established relationships with their credit card provider and want to keep that connection unchanged.

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Apple Pay and **Google Pay** are parallels to PayLive in functionality but each require their own proprietary NFC chip embedded in their smartphones. The practical result of this design is that one payment system does not work with the other's phone. They have each created a fragmented payment space, each limited in opportunity to serve only half the available buyers. **PayLive** requires no proprietary hardware or embedded chip. That means it is not limited to a particular smartphone brand. It is a specification that cleanly services *both* the Androids and iPhones, by using the PayLive App.

The Market
In the brick and mortar marketplace PayLive is the natural evolution in the credit card payment process. The focus is not on small item stores like Starbucks or craft fairs but the large volume merchants such as grocery chains, department stores, big box retailers, and electronics stores where the dollar value of purchases is predominantly over a few dollars and people tend to line up to pay at the register.

Strategically, PayLive does *not exclude* the small storefront businesses like Starbucks, or medical office, it is just not the primary focus. Why are these retailers included if they are not the focus? Because it is an important PayLive branding strategy that the consumer mindset perceive the PayLive system for payments as pervasive, something they see and use everywhere, all the times. To date, *no payment system has accomplished that objective*, where PayLive has the ability.

Traditional barriers to entry:
1) Merchant training
No merchant training is required. Merchants will continue to use their same "VeriFone" type credit card terminal at their POS location. Their credit card terminal will simply be field-upgraded in-place with the PayLive extension code. The merchant will interact with their credit card terminal *no differently* than they do today.

2) Consumer acceptance
The consumer loves their credit card because they can make purchases without cash. PayLive improves the consumer's experience. Their purchase capability using their smartphone is now easier, faster, and safer with PayLive, using their smartphone they have come to love. With PayLive the consumer consolidates functionality, significantly improves credit card protection, and gains the ability to make their purchases faster.

3) Old ways die hard?
People know how the old ways work, when using plastic credit cards. They also know the problems with the old ways- loss, theft, and miss use. Smartphones were new to everybody 15 years ago. Today people use their phone and apps as if they were born with the phone in their hand. It is this innate grasp, ability, and interest that will make PayLive natural to use, a non-hurdle to making smartphone purchases.

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What makes PayLive distinctive?

PayLive Payment System's business model has unique characteristics. It *provides a product benefit to <u>both</u> sides of a retail sale*, the merchant <u>seller</u> and the retail <u>buyer</u>. PayLive's design moves the buyer through the busy purchase process faster, increasing the merchant's throughput at each pay station. This increased efficiency results in increased total sales revenue for the merchant, in an ongoing experience.

Because PayLive is easier, faster, and more secure, the buyer is significantly more protected against loss and fraud. Buyers understand that. The core sense of well being and ease in the buyer's payment process means they will *prefer* sellers using PayLive payment services. PayLive is a distinctive win-win retail payment solution.

Big benefits- Consumer Protection

PayLive's design offers the important benefit of effective protection in the case of a lost or stolen cell phone, over a lost wallet of credit cards. The consumer may go to any computer in the world, log into the PayLive website, remotely *delete* all credit cards registered with their PayLive App, and deactivate the App on their phone. This blocks any further credit card processing on their phone, protecting the consumer from fraudulent charges.

Once the PayLive App is deactivated, if started again it will:
1. Silently take a front photo of the person holding the phone.
2. Get the geo coordinates of the phone at that moment of attempted use.
3. Identify the merchant name, address, and POS station where the phone is active.
4. Email that information to the buyer and the participating merchant.
5. Identify to the merchant the POS station where the fraudulent use is *in progress*.
6. Shut the App down, the sale is not ever consummated.

There are many levels of security optimizations that can be implemented to this new paradigm which are vast improvements over traditional plastic card use today.

Revenue models

PayLive has *three* revenue models.

1) Model-1: PayLive implementation by a company deeply invested in comprehensive analytics of their *own* current database of world customers. PayLive creates the opportunity to collect and accumulate enormous amounts of personal data on buyers and spending habits- gender, age, frequency, volume, $ amount, geographic, repetition, item type, item value, and much more. Companies selling such analytics would be Google, Facebook, or Amazon, gaining massive new data collection ability on buyer profiles they do not collect today.

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Analytical statistics collected can be:
- buyer gender
- buyer age
- geographic region of residence
- geographic region of purchase
- merchant location
- merchant type
- merchant name
- date of purchase
- time of purchase
- total purchase amount
- payment type: credit, debit, prepaid, store, gift card
- bank response code to credit request

The buyer's identity, by strategic design, is intended to be anonymous and private. Because PayLive is used across *all* categories of retail purchasing the aggregate statistics will create unique comprehensive models of the complete buyer persona and activity.

This is the most profitable revenue model. That is because the potential revenue from selling the statistical analytics of individual buyers derived from vast data collection over time will well surpass any transaction fees resulting from bank interchange fees or monthly merchant fees.

2) Model-2: PayLive is integrated as a *fallback* technology to either Apple or Google's proprietary NFC payment technologies. This integration can greatly increase either company's revenue stream, as PayLive payment services are now available to facilitate payment services on their competitor's phones. This contributes to being an enormous dollar potential.

3) Model-3: PayLive operates as an independent payment system and implements a small monthly seller charge per POS station producing a much increased revenue potential over the micro percentages currently being received in bank interchange fees.

An anticipated fee structure to a merchant could be assessed as a simple flat fee of $30 per month, or *one dollar a day* per pay station. By the end of the 4th year, annual revenues (below) are projected to reach over 1 Billion dollars.

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Revenue estimates

Year	Pay Stations per State	Pay Stations Nationally	Billable Station Months per Yr	x $30 per Station	Annual Revenue
1	5,000	250,000	3M	x $30	$ 90 million
2	15,000	750,000	9M	x $30	$ 270 million
3	30,000	1,500,000	18M	x $30	$ 540 million
4	60,000	3,000,000	36M	x $30	$ 1.08 billion

Conclusion

There is no parallel in our society to the omnipresent acceptance of the smartphone into the every living moment of people's lives today, young and old. People have become hinged to their phones, easily incorporating new uses and applications. The benefits, security, and intuitive ease of use of the PayLive App for cardless payments ensures complete acceptance of this new purchase paradigm.

PayLive's revenue models will deliver maximum financial return to any company interested in detailed buyer analytics, profiling down to the specific person. It is also an opportunity to make real revenue through either bank interchange fees or monthly minimum fees per station. The successful adoption of the PayLive type of payment system, *across all smartphone technologies*, is going to happen. It is our commitment that PayLive will be that company.

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