PAYYAP, LLC

Shea Writer; *CEO, CTO*

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PAYYAP

Business Description

PAYYAP is revolutionizing consumer payments with biometrically secured, voice-driven AMEX, VISA, MasterCard & Discover payments in real-time via "5th Channel" technology!

Pilot Metrics

The initial pilot program that PAYYAP rolled out internationally resulted in 1,000+ registered vendors (downloads), 200+ verified IDs, and $200,000 in total payment volume. After partnering with TSYS/ProPay (top 10 merchant bank in North America), the International Pilot was paused to focus specifically on penetrating the US market. User metrics from both pilot programs are shown below:
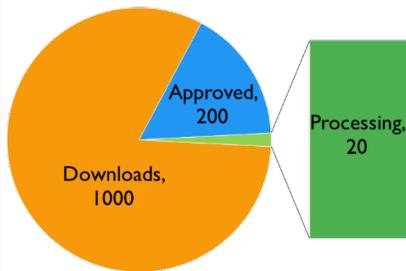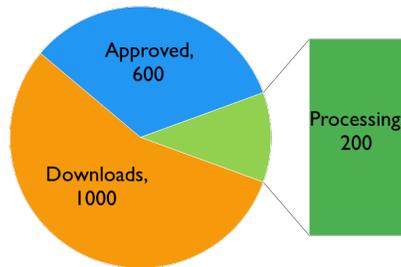
Management Team:
Shea Writer, CEO & CTO
M. Shahid Ulla, Senior Software Engineer
Peter Malliaras, Senior Customer Support

Industry:
Global Mobile Payments

Financing-to-date:
$378,500 invested by Founders to design and develop the software and bring it to market.

Financing Sought:
$1,000,000

Use of Funds:
The purpose of this raise: to **expand** on core staff, to formalize operations in preparation for aggressive "scaling", and to drive a strong and steady marketing effort .

USA METRICS (LIVE)

Approved, 200
Downloads, 1000
Processing, 20

INT'L METRICS (PAUSED)


Approved, 600
Downloads, 1000
Processing, 200

Business Opportunity

Mobile devices are increasingly used for payment processing, but current solutions still require the use of supplementary hardware before being able to take payments. To make the process easier, PAYYAP has created a revolutionary payment app that offers faster payments and safer e-commerce without the use of Squares, dongles, or hardware plugins of any kind. PAYYAP has solved the adoption and security issues that have (until now) prevented real-time bank card transaction processing via telephone. As a result of solving these issues, PAYYAP is first-to-market with merchant-initiated, interactive voice response payment processing – a "5th distribution channel" for bank card transactions.

✓ PAYYAP breaks the "Payments Catch-22" by appealing intently to a fresh, high-demand niche of SMB's that are looking for a "100% APP-based" (i.e., no additional squares, "swipers" or scanners) billing solution – a "**5th payment channel"**:

  o 100% "built-in" PCI-DSS security compliance;

  o Zero security obligations for the merchant (cuts account application time);

  o Immediately intuitive for customers to receive a simple, automated telephone call;

  o Simple and attractive merchant interface displays real-time transaction status updates.

Industry Partners

• **IBM** provides PAYYAP w/ core voice biometric matching for account security.
• **TSYS** provides PAYYAP w/ transaction risk mitigation, merchant account underwriting and payment remittance services.
• **Flowroute & TWILO** provides PAYYAP with various VOIP related switching
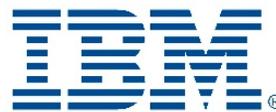
Market Niche:

Prior to the introduction of PAYYAP, there were four (4) channels (payment methods) that could be utilized by companies operating in the mobile payments industry. PAYYAP's unique feature set and innovative payment system has now added a 5th payment channel, offering merchants (worldwide) an easier, cost-effective way to bill their customers in real time:

CHANNELS:	e-Commerce & IVR	POS & Swipe	Virtual Terminal	Email & SMS Invoicing	PAYYAP™
Process	real-time	real-time	real-time	multi-stage	real-time
PCI-Compliance	built-in	built-in	requires merchant compliance	built-in	built-in
Payment Driver	customer	customer	merchant	merchant	merchant
Channel Volume	billions	billions	billions	billions	billions (proj.)

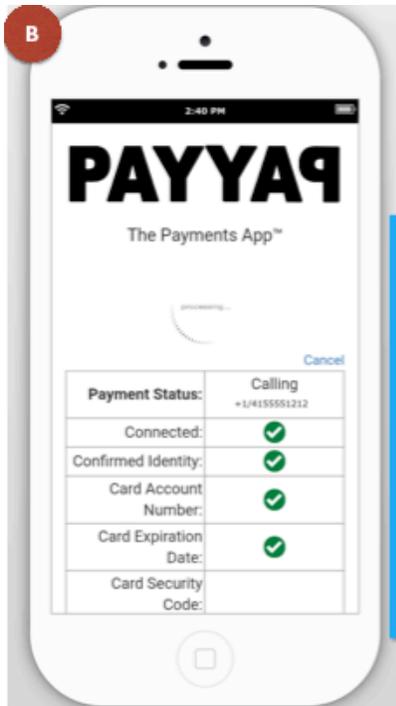## How it Works:

SIMPLY, MERCHANT-DRIVEN

STEP 1 / 3:

Merchant "opens" the PAYYAP mobile App and sets the Customer's information:

☑ Amount to be Paid
☑ Name
☑ Telephone Number

• merchant initiates a payment request •

o **And then:**

CUSTOMER RECEIVES A FRIENDLY, AUTOMATED TELEPHONE CALL...

STEP 2 / 3:
- ☑ PAYYAP voice servers place a call to the Customer's phone
- ☑ The automated PAYYAP operator secures the customer's card data in real-time…
- ☑ Customer uses any normal telephone, and is still within a fully PCI/DSS-Compliant security environment

• **customer completes payment via any common landline or mobile phone** •

• customer does <u>NOT</u> need "matching" PAYYAP App to complete the payment•

And finally:
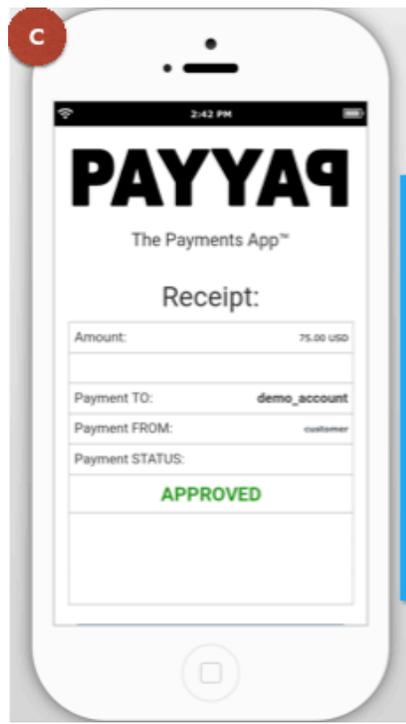
MERCHANT RECEIVES VOICE AUTHORIZED, REAL-TIME PAYMENTS

STEP 3 / 3:
PAYYAP Payment Features:
- ☑ Real-time status display
- ☑ Voice-recorded (digitally signed) payment authorizations
- ☑ Payment receipt when transactions are approved

• **PAYYAP provides merchant with real-time authorization status** •

Competitive Analysis

	Pricing	Markets	"Payer" Considerations	Advantage
PayPal	3.1% + $0.30 (+ $30.00 / month)	Global	Must have access to the internet	Economy of scale; Ability to quickly buy innovators
PAYYAP	**2.60% - 3.35%** (+ $1 bank deposit fee)	**Global**	**Any telephone**	**Easiest way to get paid – via app; First mover advantage**
Square	2.75% - 3.75%	AU, JP, US, UK	Regionally limited; Must have access to the internet	It was a first mover in the mobile "card swipe" market
venmo	3.0%	US	Must have venmo App; Regionally limited	Free bank-to-bank transfers
Western Union	5% - 50%	Global	Time consuming; Expensive	Cash-In / Cash-Out

Value Proposition

The easiest way to get paid – via "APP"	
Value to Businesses	Value to Customers
• The absolute easiest way to get paid via APP	• No desktop / laptop / tablet required
• Recorded voice authorizations (per payment) reduce fraud and disputes	• No internet required / no Apps to download
• Real-time payment completion	• Receiving an automated telephone call is familiar & free
• Auto-payment receipts (email or SMS when available)	• Payments are completed quickly, by speaking to an automated operator (or using the telephone keypad)
• Globally viable, and quickly	• Voice biometric security enables fast repeat use

Go-to-Market Strategy

Phase 1 - Completed

Before a payment processing company can begin offering services, it must partner with a merchant bank so that it can handle customer transactions. There are three types of merchant banks: International (extremely conservative lending practices), U.S. Domestic (Conservative lending practices), and Off-shore / grey area (least conservative lending practices). PAYYAP's initial market launch was done through an off-shore bank because the Company did not have the necessary collateral or existing track record to partner with a more conservative bank. Even with interest rates between 7.9% - 9.9%, and terrible transaction approval rates, PAYYAP was still able to process a total payment volume of $200,000 from international vendors during its pilot program.

Once PAYYAP began generating revenue and creating a customer base, a partnership with TSYS (a U.S. merchant bank), was established. Upon entering into an agreement with TSYS, PAYYAP paused its international pilot program to focus on the U.S market. Even though the plan is to focus initially on the U.S. market, the real value in PAYYAP's business model comes from the international market where vendors are largely underserved and have limited to no access to payment processors!

Phase 2 - Next Step

After securing investment funds, PAYYAP will immediately begin developing PAYYAP - The Payments App™ in additional languages: first Spanish, then Chinese (etc… according to population of speakers). This will speed up the international adoption rates, as merchants will be offered their choice of language to use. In order to penetrate international markets with competitive rates, PAYYAP will partner with regional banks so that the international transaction cost will range from 2% - 5%, where PAYYAP will charge a service fee between 2.9% - 9.9% (depending on the regional and individual merchant considerations). PAYYAP will focus on penetrating the international markets because of the overwhelming lack of competition that exists. This was evidenced during our pilot program that shows the international marketplace to be at least 10x more lucrative (more populous w/ stronger demand & higher margins) than the U.S. market.

Products & Distribution Channels

1. **PAYYAP – The Payments App**™ (Business-to-Business)
    - Appeals to <u>Small & Medium-sized Businesses</u> looking for a "pure app" merchant solution
        o Fast account registration / activation;
        o No additional hardware swipers / plugins / Squares necessary;
    - Compatible w/ all current mobile device platforms:
        o Android (Samsung, Google, Sony, etc.)
        o iOS (iPhone, iPad)
        o Kindle (Amazon)
    - Free for download at all major App stores:
        o Amazon App Store
        o Apple App Store
        o Google Play Store
    - Available for US Businesses
    - Quickly Globally Viable

2. **PAYYAP**™ **for E-Commerce** (Business-to-Business)
    - Appeals to <u>e-Business</u>
    - Web-Enabled PAYYAP™:
        o Payments via Automated Callback (5th Channel Payments)
        o Built-in PCI/DSS-Compliance
        o Voice Authorized & Recorded Payments
    - Free to download & install via PAYYAP.network
    - Available for US Businesses
    - Quickly Globally Viable

3. **White label PAYYAP**™ **(**Business-to-Business)
    - Appeals to <u>Government, Institutions & Enterprise</u>
        o Better Payment Security
        o Greater Processing Efficiency
    - Co-Branded (and Full-Branded) 5th Channel Payments
        o Voice Driven Payments; via
            ▪ IVR Telephone Callback
            ▪ IVR WebRTC (audio over browser)
        o Biometrically Verified (Uniquely IBM Partnered)
        o Recorded Audio Authorizations
        o Built-in PCI/DSS Compliance
    - Mobile Ready
        o Full & partial Android & iOS SDKs
        o Easy for banks and payment gateways to add 5th Channel Payments to existing online (Web and App) environments.
    - Compliments the other "standard" bankcard payment channels:
        o Online Shopping Cart
        o Email Invoicing
        o Mobile "Swiper" Dongle
        o POS Terminal
    - Full Administration Options:
        o Merchant-Boarding
        o Account Management
    - Available for US Businesses via PAYYAP.network
    - Quickly Globally Viable

DIVERSE CLIENT PIPELINE
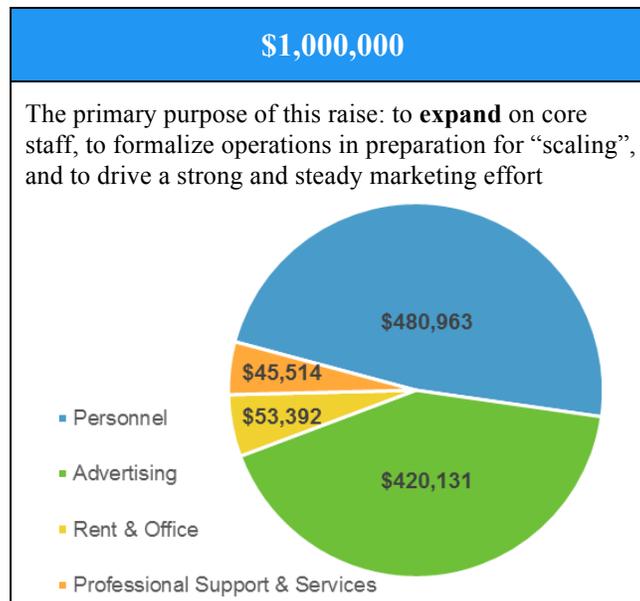
MONTHLY BILLING:
PHOA (CABO SAN LUCAS)

- The Pedregal Home Owners Association (PHOA) manages 400+ homes in the private, residential community of Pedregal (Cabo San Lucas, Mexico).

- Managing 400+ fluctuating monthly bills is time consuming and costly.

- PHOA has selected voice-driven PAYYAP payments to collect monthly billings in real-time -- naturally allowing the homeowners to easily update billing details at the time of the payment.

HIGH VALUE BILLING:
LYKKE AG (ZURICH)

- Lykke AG is a Zurich, Switzerland-based bitcoin wallet and blockchain-based exchange.

- Lykke AG takes on significant financial risk when selling trading instruments over the internet.

- Lykke AG has selected PAYYAP to deliver voice-authorized bank card payments for higher transaction accountability.

Use of Funds

$1,000,000

The primary purpose of this raise: to **expand** on core staff, to formalize operations in preparation for "scaling", and to drive a strong and steady marketing effort

$480,963

$45,514

$53,392

$420,131

- Personnel
- Advertising
- Rent & Office
- Professional Support & Services

Financial Summary & Investor ROI

	Year 1	Year 2	Year 3
NET REVENUE	$ 316,640	$ 3,929,333	$ 21,702,615
Operating Expenses	1,257,805	3,480,880	9,627,281
EBIT	$ (941,165)	$ 448,453	$ 12,075,334

Investment Amount	$ 1,000,000		
Investor's Equity Position*	TBD	TBD	TBD
EBIT Acquisition Multiple	10.0	10.0	10.0
Market Value of PAYYAP	$ 2,500,000	$ 4,484,532	$ 120,753,340

*Investment terms are negotiable