

# Centz, Inc. February 2017 Business Plan

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## Introduction

Gift cards are the most popular form of a prepaid product sold in the USA. In 2016 alone, \$160 BILLION dollars of gift cards will be sold, that is a **market of \$438 million per day**, and up to 20% of them will never be redeemed. It is generally accepted that there are at least \$80 Billion dollars of unspent gift cards in people's junk drawers and that amount keeps growing daily. Centz, Inc., is positioned to become the industry leader by disrupting the gift card industry in ways never imagined. Centz has created an entirely new type of marketplace for gift cards and their unused balances, just as Facebook did with social media or AirBnB with apartment rentals. We believe the ICO of Centz represents a unique opportunity to participate with a company that is poised to disrupt and dominate the largest cryptocurrency market in the world. Centz is looking to raise \$7 million USD.

## Our Vision & Mission

Our vision is the day when the gift card consumer has total flexibility and security in the use of any gift card, at any time, with any retailer, to purchase any good or service.

Registering all individual identities and gift card balances on the blockchain eliminates the biggest problems and restrictions for the safe and secure use of gift cards. Concurrently, Centz will disrupt the gift card market leveraging the blockchain to generate revenue in ways that have never been done before.

Our mission is to give an individual the opportunity to fully spend their gift card balances and provide the highest level of fraud prevention security.

From inception, Centz has realized that the problem with gift cards is the massive amount that goes unspent and how the industry has restricted the use of gift cards for their exclusive financial gain. Despite major advances in mobile payments technology, the gift card industry has fought making gift cards more secure, fraud free and easier to fully use.

Centz is dedicated to helping maximize unused gift card balances. It is a problem that we've been focused on solving from the beginning. We understand that consumer preferences may not always match with the brand of gift cards they are given—a big reason for unused and underused gift cards. To solve these issues, we have developed a unique solution that bridges the gap between consumer desire and the reality of gift card usage.

Centz spends a lot of time thinking about how we can help anyone put the unused value of their gift cards back to use. Where we're different is figuring out how to reinvent the consumer experience and create an incredibly safe and secure method which will allow individuals to fully maximize the value on all stored value instruments.

**Centz believes that gift cards have the potential to become more than just a single option for the redemption of stored value credits. We view the gift card as a**

**payment method that is just scratching the surface of all its possibilities to shape and change the payment landscape worldwide.**

## **The Problem**

The recent explosion in the use of gift cards has created a situation where millions of people have multiple unused gift cards with fractional balances that now sit abandoned and un-used in homes all around the country. The individuals who hold these fractional or unused credit balances are literally having their money vanish without a trace. Over the last five years more than **\$80 Billion dollars of un-spent balances remain on gift cards**. These credits have never been used and will go unclaimed by the individual who received the gift card. This has been a real boon to retailers who, to date, have been taking these funds as “breakage” which is based on the historical redemption patterns coupled by the fact that there is no known identity associated to any specific gift card.

Currently individuals have only two choices to fully use their gift cards. They can fully use it at the issuing retailer or sell it on one of the many gift card buy/sell websites, but all of these sites have been plagued by rampant fraud as using cash for the medium of exchange has encouraged double-dealing and sham transactions. These structural problems have been purposely ignored by the big box retailers who clearly understand how these unused gift card balances are free money.

## **The Opportunity**

There exists a totally underserved market of \$80 billion USD dollars in fractional or unused credit balance on gift cards. This market grows daily. These cards are literally abandoned in peoples' homes. To date no company has offered any innovative solution to resolve all the customer pain points and create a safe, secure and fun method to fully use gift card balances. **Using the blockchain totally eliminates any retailer's ability to grab unspent balances which is called “breakage”. You can't take someone's money if you know who they are, that's illegal. The entire gift card business is set up to hide identities in order to keep breakage flowing. The industry has purposely ignored all the negative customer experiences so they may continue to take “free” money. Centz has designed a unique and disruptive business model that shatters the old methods and gives the individual an industry first, the ability to utilize and organize all their digital credits in one location and use them in a flexible way. We believe our business model will give Centz the ability to unlock a large portion of this huge, multi billion dollar market.**

## **The Centz Business Proposition**

**The key to building a growing and sustainable business is to construct a recurring revenue structure, which is predictable and stable.** Centz achieves this by coupling the company's interests to each and every customer implementing a proprietary process that totally differentiates Centz from any other company that operates in the gift card marketplace.

Centz is fully aware of the multitude of pain points affecting the industry. Rampant fraud, lack of flexible ways to use remaining balances, etc., have all contributed to a disappointing, dull and unimaginative user experiences and one that has not changed for years. Centz has designed a completely new patent pending business model that integrates unique security features into our platform. This deliver a positive and fun experience that focuses solely on

the consumers needs. Centz's business model bridges the gaps between consumer desire and the reality of gift card usage and redefines the gift card marketplace, making the gift card experience revolutionary, seamless, safe and easy.

## **Centz's Unique Value Proposition**

**When you travel to a foreign country you use a company to exchange your US dollars into the local currency. Centz, Inc. provides that exact service for gift card owners by the registration of gift card balances into our universal currency, Centz Gold Bucks.**

Centz Gold Bucks can then be used to buy any gift card you want when you want. This is a value proposition that has never been offered before and delivers true flexibility in the use of any gift card. One of the major problems for individuals to use all of their gift cards is the hassle/problem of carrying around a large stack of plastic cards. Centz allows all digital credits to be stored in our wallet, which give anyone the ability to always have all your digital credits with you at any time. The Centz solution also combines cutting edge security to protect each and every gift card from fraud.

## **The Centz Business Model**

**Centz has created a patent pending business model to help people maximize their unused gift card balances.** We understand that consumer preferences may not always match with the brand of gift cards they are given—a big reason for the massive amounts of unused and underused gift cards.

Using the blockchain totally eliminates any retailer's ability to grab unspent balances which is called "breakage". You can't take someone's money if you know who they are, that's illegal. The entire gift card business is set up to hide identities in order to keep breakage flowing. The industry has purposely ignored all the negative customer experiences so they may continue to take "free" money. Additionally, blockchain technology allows Centz to deliver cutting edge security to totally eliminate fraud and money laundering. Similar to credit cards, the % of fraudulent activity is on the rise which ruins the shopping experience for all. Our proprietary blockchain solutions will be adopted by the retail industry once breakage is eliminated. Partnering with Centz is the only way that the industry can "make up" for the lost funds of breakage.

When you travel to a foreign country, you need to exchange your U.S. dollars for the local currency.

Centz, Inc. provides that exact same service for gift cards by allowing you to register all your different gift cards and convert them into our universal currency, Centz Gold Bucks. You can bank or save up your credits until you get the amount you need to buy that one big item or enjoy that special occasion.

## Use of Proceeds

- ❖ Build and scale the Centz gift card exchange platform and mobile wallet
- ❖ Intellectual property filings
- ❖ Patents
- ❖ Trademarks
- ❖ Marketing & Advertising
- ❖ Product Inventory
- ❖ General and Administrative
- ❖ Legal & Accounting Fees
- ❖ Development of Trade Secrets

## Sources of Revenue

### Registration Fees

Centz will receive a fee for each and every gift card registered on the platform

### Data

Centz understands that the collection of data is a reality that surrounds everyone at every turn, but data can have real value for both the individual who generates it and company that collects it. Centz understands data's potential to generate significant revenue to our bottom line. All data

### Hedging of Gift Cards

Utilizing proprietary algorithmic formulas, Centz will run a hedging operation utilizing the mass of gift cards registered on the platform.

### Identification and Securitization of gift cards

Centz believes that the use of blockchain technology combined with the company's patent pending security solution are a unique and revolutionary solution for and disruption to the gift card market. Centz will place an identification on each and every registered gift card and take control of each and every registered gift card balance. Combining the use of blockchain and proprietary technology eliminates breakage. In turn thus not only generates verifiable data, but also creates the first secure and immutable gift card credit that can be used, traded sold or swapped.

## Market Size

**It is generally recognized that over 90% of the households in the US hold gift cards in the amount of \$300 USD.** It is projected that over the last five years (the legal dormancy period), that there is \$80 billion sitting in peoples junk drawers. This amount is increasing as the amount of gift cards sold each year keeps increasing.

## Market Penetration

Cents believes that over the next three years that we can achieve a 3.3% penetration, which will generate a projected \$45 million USD gross revenue.

## Market Projections

As Cents developed our financial projections, we used a lower set of assumptions. We basically cut the market in 1/2.

## Unique Market Solutions

- ❖ Provide the only method to register all your digital credits in your Centz digital wallet
- ❖ Provide the only solution that allows for the full use of all your gift credits
- ❖ Provide the ability to collate multiple balances into one big spendable lump sum
- ❖ Provides cutting edge anti-fraud protections for all your gift cards
- ❖ Provides securitization for any gift card registered in your Centz digital wallet
- ❖ Provides a unique method to control all of your family's spending of gift cards
- ❖ Provides a platform that makes the total gift card experience one simple event
- ❖ Provides flexibility in using all gift card, reward and loyalty dollars
- ❖ Prevents the big box retailers from taking billions of dollars of unused gift card balances

Centz has designed a unique combination of blockchain and proprietary technology process that allows anyone to maximize unused gift card balances in a way never imagined before, one that is easy and that just makes plain Centz. From the beginning, Centz has focused on solving the myriad of problems plaguing the gift card space with a customer-centric solution that is designed to remove friction points that currently plague the usage of gift cards. Our goal is to help people reclaim all of the unused value trapped in their gift cards, eliminate fraud and deliver a unique customer experience. Centz believes that the most successful business propositions are always clear, simple and highly transparent solutions that are delivered to our customers in a safe, secure and easy way.

## Revenue Assumptions

### Market Size

- 1.) Dollar Value - It is generally agreed that there are \$80 Billion USD sitting unused.

2.) Number of prospective customers - It is generally accepted that there are 265 million people who have unused gift card balances.

## Sources of Revenue

Centz will derive revenue from the following sources;

- 1.) The company will receive a fee for each and every gift card registered on the platform
- 2.) The company will generate revenue from hedging the value of gift cards\*
- 3.) The company will derive revenue from shopping data
- 4.) The company will generate revenue from the issuance of a new form of secure blockchain based gift cards

## Intellectual Property

Centz believes that intellectual property can generate significant shareholder value. **To date we have filed two U.S. patents and have plans to file two more** within 60 days of funding. Centz plans to look for any and all unique aspects of our business for additional patentable ideas. We intend to use a strategy of “fencing” in our “core patents. Fencing is a comprehensive strategy designed not only to provide additional value and defensibility to any and all of our existing patents. All of the patents we file in the U.S. will be filed in other major regions of the world. Centz will also file trademarks on several items that the company have value today and are important to the branding of our company and name. Again this will be done world-wide.

Centz has also developed several trade secrets. We have purposely kept and will keep these pieces of intellectual property as trade secrets as we believe there is more protection by doing so.

## The Gift Card Industry

**Gift cards are a go-to gift giving option and have been the most requested gift item nine years in a row** according to the National Retail Federation, but sometimes people receive gift cards for a retailer that they don't frequent and the card goes unused. In fact, according to a Blackhawk Network survey, 53% of shoppers receive cards and forget about them and 26% of shoppers receive cards for a retailer, restaurant or other merchant that they don't frequent. 97% of those with unused gift cards had up to 10 unused gift cards. When consumers read about gift card exchanges, 55% said that they would use them and 78% would buy discounted cards for self use. 84% of consumers want the cards stored in one place.

Retailers get substantial financial benefits from the sale of gift cards. They are no longer considered simply as payment vehicles. **Retailers now consider gift cards to be one of their best money making products, and in many cases, the SINGLE LARGEST SELLING PRODUCT that they offer, accounting for 1.5% – 4% of sales.**



Gift cards have become a tale of two different consumers, both equally profitable to the big box retailer. Consumers love shopping with gift cards. More than 85% of consumers report asking for a gift card over any other gift item. And when a card is redeemed, the average transaction is 40% to 120% above the value of the card.

Two out of every three people have bought a gift card, and the growth of the gift market is faster than the US and China's GDP. It is projected that the market will grow by an average of 6% a year for the foreseeable future.

Approximately two billion gift cards were purchased last year, which equals 6 cards for every man, woman and child in the U.S.

In 2016 alone, \$160 BILLION dollars of gift cards will be sold. The big box retailers know and count on the fact that up to 20% of all gift cards sold will never be redeemed.

**Thats right...\$32 Billion of unspent dollars in one year alone and that amount of unspent dollars keeps growing daily.**

On Average \$438 million dollars of gift cards are sold each and every day and up to 20%, a whopping \$82 million dollars of that goes unspent each and every day.

The big box retailers are just grabbing it as soon as they can and keep it without ever having to deliver any goods or services as **THEY KNOW YOU WON'T EVER SPEND IT.**

This is the only business model that allows a company to place their interest before the consumers. They sell a promise to deliver products and goods later, and when it goes unused they just take THE MONEY. Legally the retailers justify their actions as they can claim they don't know who the dollars belong to and because the statistical probability of it ever being redeemed is "remote". These are the two qualifying factors that the IRS and the SEC have ruled control when and how much of the unused gift card balances can be removed as liabilities from corporate balance sheets.

This is the box box retailers HUGE secret, which they don't want anyone to know about so they keep it very quiet in hopes that they can keep it going and growing forever - free money - our money

At any given time it is recognized that there is at a minimum of **\$80 + Billion, that's right \$80 BILLION + dollars of unused/unspent gift card balances** that are just sitting around waiting to be grabbed by the big box retailers or for Centz to bring the value of the money back to the people who really own it.

**Breakage** - HOW THE BIG BOX RETAILERS TAKE YOUR MONEY

The surge in gift card purchases has proved hugely profitable for the retailers that issue them and the Credit CARD Act did not do much to address what happens when the less than the face value of a gift card is used and then the fractional balance sit in the junk drawer in

perpetuity. The Securities and Exchange Commission allows companies to take unused gift-card money as income (breakage) once they can reasonably say the card won't be redeemed, but there's no set time limit. Many consumers do not use gift cards that they are

given, resulting in unexercised customer rights, commonly known as breakage. The unexercised customer rights may be significant and result in inflated obligations on the

issuer's financial statements. To manage this situation, issuers may use a revenue recognition technique whereby the issuer derecognizes the breakage liability and recognizes breakage revenue. As the market grows the number and value of dormant gift cards will grow along with it. The answer to how retailers deal with those "lost" funds isn't simple, and there are no hard-and-fast rules.

Retailers have discovered that the amount of revenue from unused gift cards has become significant to their bottom line. To assure that they can continue to take the unused gift card balances as breakage, retailers have domiciled their gift card programs in states that are gift card friendly. This eliminates the chance of escheatment by the state (laws defining the es-crowing of property which is abandoned). The amount and frequency that dormant gift card money is taken is determined solely by each retailer based on their own historical redemption rates. Retailers have recognized that it is increasingly to their benefit to sell more and more gift cards as up to 20% will never be redeemed and subsequently those unused funds can flow directly to the bottom line without having to deliver any goods or services.

As a result of the Card Act of 2009, new federal regulations were promulgated that restricted the implementation of fees or expiration dates which changed the way that retailers use gift cards. The dormancy period before any fees can be charged is 5 years, which has created a massive amount of unused gift cards resulting in up to \$80 billion dollars just sitting in people's "junk drawers".

The gift card industry did not lobby or object to the extension of the no fee period to 5 years as the understand it looked good to the public but did not change historical redemption patterns that they use to take unspent dollars off their balance sheets.

The industry has constructed this system in this exact way and have fought all attempts to change so that they can keep taking the billions of dollars of unspent funds.

NJ is the only state that has tried to enforce their escheat laws for abandoned gift card balances.

The Third Circuit issued an opinion in January 2012 finding that the retroactive application of the Prior Law violated the Contract Clause of the United States Constitution and that the place of purchase presumption was preempted by United States Supreme Court decisions establishing priority to abandoned property, but upholding the data collection requirement. Following that decision, several major gift card distributors, including Blackhawk Network,

Incomm and American Express, announced they would no longer supply gift cards to the New Jersey market because of the law's onerous restrictions.

The following message is displayed when an Amex customer wants to purchase a gift card using their Amex card.

Based on recent Gift Card-related legislative action in the State of New Jersey that requires sellers of such products to report voluminous documentation with regard to our customers, we have regrettably elected to no longer sell or deliver Gift Cards to individuals in the State of New Jersey. We apologize for any inconvenience this may cause. Your credit card has not been charged.

The following is the "voluminous documentation/law's onerous restrictions" that will be required by law in NJ.

5. Data collection requirement: The amended law retains the hotly contested requirement that issuers collect either the name and address and at a minimum the zip code of the purchaser or owner of the card. However, this data collection requirement does not take effect until forty-nine months after the enactment of the amended law (July 29, 2016). It is expected that industry groups and major gift card distributors will continue to push for a repeal of this requirement.

Today gift cards have no expiration dates or fees and, when unredeemed, represent an indefinite obligation of the retailer. In such instances, trends in the redemption patterns of previously sold gift cards allow retailers to create an estimate of future breakage. As each day passes, the likelihood of redemption declines based upon historical redemption patterns. These patterns allow retailers to compute a weighted average gift card breakage estimate. Once a reliable estimate is established, the retailer may claim to have a basis for removing the gift card liability from the books.

Bottom line. Perhaps the greatest benefit to retailers—and one that has distinct accounting implications—is that historical consumer behavior trends show that a portion of many gift card purchases will never be redeemed. The retail industry recognizes the tendency of consumers to leave gift card balances unused and refer to the unspent balance of a gift card as breakage. Even by conservative estimates, gift card breakage has the potential to significantly in-

fluence many companies' bottom lines and that is exactly why the retail community is fighting any requirement to collect any information about gift cards.

## Gift Card Fraud & Security

Both fraud and security are two key issues that are intertwined and have plagued the sale and use of gift cards forever. Centz has developed a blockchain based solution that is focused on eliminating this entire problem. With better security, incidents of fraud can be reduced to virtually nothing. Understanding how one issue affects the other should drive all gift card issuers to study and implement an advanced solutions that can protect our money equally as well as credit card or banking corporations. After all, gift cards are money just in a digital form. Imagine if American Express did not know the identity of who holds their credit cards or Citi bank not knowing the name of people with their checking accounts. Gift card companies have set up their businesses in this exact way to take advantage of consumer shopping preferences - the up to 20% of unused gift card balances, which the industry can then take as breakage.

Centz believes it is time to change the entire gift card industry by applying blockchain technology that will disrupt the entire industry. Centz knows that security is the key to solving the customer pain points and creating a frictionless gifting experience that will benefit both the retailer and customer.

**Every Centz solution is blockchain based and designed to eliminate fraud and increase security while implementing a process that eliminate friction points when using gift card balances.**

## The Competition

Unlike most companies, Centz wants our customers to know exactly who the competition is. We believe that if you take the time to check them all out you will better understand that the Centz solution is radically different and provides solutions that are only available on our platform. In today's marketplace there are very few options to sell or buy gift cards. Most of the existing companies work with the retail community, have similar operating parameters, and offer little real choice in either methodology or price. All of these companies require a minimum gift card balance. The other significant problem that has plagued the secondary market is fraud. Each of the companies who buy/sell gift cards have some sort of balance guarantee but these "guarantee policies", have not prevented massive issues of fraud and massive complaints about non-existent customer service.

The main competitors in this space are;

CardCash

Cardpool

Raise

Gyft

Card Hub

Giftcards.com

Junkcard

## Forward Looking Statements

This document contains statements that are, or may be deemed to be, “forward looking statements” which are prospective in nature. These forward looking statements may be identified by the use of forward looking terminology, or the negative thereof such as “outlook”, “plans”, “expects” or “does not expect”, “is expected”, “continues”, “assumes”, “is subject to”, “budget”, “scheduled”, “estimates”, “aims”, “forecasts”, “risks”, “intends”, “positioned”, “predicts”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words or comparable terminology and phrases or statements that certain actions, events or results “may”, “could”, “should”, “shall”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward looking statements are not based on historical facts, but rather on current predictions, expectations, beliefs, opinions, plans, objectives, goals, intentions and projections about future events, results of operations, prospects, financial condition and discussions of strategy. By their nature, forward looking statements involve known and unknown risks and uncertainties, many of which are beyond anyone's control. Forward looking statements are not guarantees of future performance and may and often do differ materially from actual results. Important factors that could cause these uncertainties include, but are not limited to, those discussed in the “Your Risks” of this document. None of the third parties provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will occur. You are cautioned not to place undue reliance on these forward looking statements which only speak as at the date of this document.

## Conclusion

**Centz’s solutions solve both sides of the gift card problem and provide a unique and flexible customer experience. Centz understands that the digital revolution is creating a radically more friction-free economy. All Centz solutions increase the revenue that each gift card generates by providing a safe, secure and flexible method for the giving and redemption of each and every gift card while removing all the pain points that consumers now experience.**