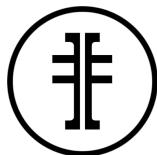




THE **Giftz™ Network**

ERC20



ITCOIN® BLACK PREMIUM REWARD TOKEN

**By Rewards Media, Inc.**

GIFTZ.IO

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# Abstract



## The GIFTZ™ Network.

- Digital Wallet
- Crypto-Points
- Points Exchange

### GIFTZ™ LOYALTY REWARDS ON THE BLOCKCHAIN

**Rewards Media, Inc., is a Los Angeles-based company with the goal of unifying the rewards and loyalty industry by offering GIFTZ™ on the blockchain.**

Airlines have been selling their rewards miles to banks and passengers for years. According to an estimate by *Stifel Financial Corp.*, each mile fetches an airline between 1.5 cents to 2.5 cents and billions are bought each year. Bloomberg states, “**Airlines make more money selling miles than seats.**”<sup>34</sup> Banks have successfully increased engagement by rewarding air miles to their bank cardholders, leading thousands of other businesses to buy miles as rewards. Consumers also purchase miles in an effort to top up their frequent flier accounts. Selling miles as rewards currency is an big part of the airline business model.

***The GIFTZ™ Network will sell blockchain based crypto-points like airlines sell miles. Any business can buy them.***

Consumers acquire crypto-points to top up their GIFTZ™ account and GIFTZ™ Card and can redeem such points anywhere Visa Cash is accepted. Businesses with foresight can capitalize on the excitement of a rewards cryptocurrency as a unique value proposition for their customers. Use as app-coins, hotel-coins, car-rental-coins, or even private jet-coins. GIFTZ™ members can earn and share these tokens with friends and family, because they own the crypto-points they've received in their secure, private wallet. GIFTZ™ members can also top up their mobile wallet app that comes with a companion plastic GIFTZ™ Card, much like the Starbucks Rewards App-Card. For merchants, the Standard GIFTZ™ Program is FREE - simply pay for the tokens..."its" a win/win. The Founders of GIFTZ™ have given away millions of dollars in survey incentives and there is no better team to bring this new cryptographic rewards program to the blockchain. Existing infrastructure such as servers, user-base, revenue models

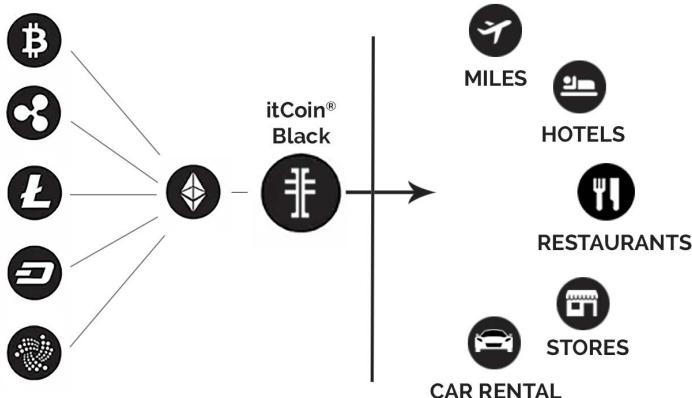
and legacy architecture of the Rewards Media business will serve as a baseline for the newly developed GIFTZ™ Network with cryptographic “points.” As GIFTZ™ enhances its interfaces and adds new features, merchants will have a growing set of tools for managing incentives and loyalty marketing campaigns. Loyalty coins will be more accessible and transferable than traditional rewards points as more and more blockchain solutions become available. GIFTZ™ will lead this sector by welcoming all future loyalty coins within it's ecosystem, providing a place for the community to trade their tokens, without having to list them on a public exchange. Imagine trading up from tokenized air miles to private jet-coins.

**GIFTZ REWARDS TOKENS CAN BE USED TO:**

- **INCREASE** new business & secure new customers
- **DRIVE** incremental sales from existing customers
- **REDUCE** attrition
- **MAXIMIZE** marketing effectiveness
- **LEVERAGE** data
- **BUILD** loyalty

In addition, the existing Rewards Media applications, such as the Waulit™ App (beta avail now on Android & iOS) and www.waulit.com web pages will be updated and secured for the blockchain. The most exciting addition is the GIFTZ™ tiered cryptocurrency rewards tokens called **itCoin®Black**, **itCoin®Gold** & **itCoin®Silver**, each with specific redemption controls and values within the ecosystem. The highest value and only token sold publicly is the exclusive **itCoin®Black** which will be offered during a token sale, at giftz.io, scheduled on Black Friday, Nov 24, 2017. **Pre-ICO closes Nov 20, 2017.**

# Giftz™ Ecosystem



**DURING THE GIFTZ™ TOKEN SALE** those who buy 3 BTC or 50 ETH or more worth of itCoin® Black will pre-qualify\* for our High-Net-Worth, Black Giftz™ Card. Available until token sale ends. \*Rules & regulations apply

The Giftz™ Network consists of a loyalty ecosystem, rewards tokens, digital wallet and a platform for consumers to auction tokenized points.

<b>01. Giftz™</b>	Network: Merchants, Loyalty Programs, Consumers, Traders & Developers
<b>02. itCoin®</b>	Rewards Tokens: itCoin® Black, itCoin® Gold, itCoin® Silver (brandable, i.e. Nordstrom Gold)
<b>03. Waulit™</b>	Wallet: Secure, direct, peer-to-peer transactions using block producers (trusted third parties)
<b>04. Auction</b>	Trading Community: Giftz™ Auctions – Trading Loyalty Tokens (without Exchanges)

## ■ ■ ■ ■ 01. Giftz™ Loyalty Network.

The Giftz™ community will welcome consumers, merchants, traders and developers. Aside from providing a Loyalty Program for un-serviced merchants, our platform can be used in conjunction with existing loyalty programs to add value. The Deloitte Center for Financial Services says, Blockchain-Based Loyalty Networks integrate disparate programs and/or un-serviced merchants into an interlinked network. With this collaboration with loyalty rewards participants, blockchain has the potential to streamline execution and administration of their programs with near-real-time transparency and cut costs.<sup>6</sup>

Merchants with existing loyalty programs can also use Giftz™ as an add-on to remove points liability from their balance sheets. With itCoin® crypto-points the merchant sends our physical token reward from their business account wallet to the consumer's wallet, removing liability at the moment the network confirms the transfer. Amex now allows their cardholders to redeem their Amex Points inside of the Amazon Store reducing their points liability. As loyalty tokens become the norm, The Giftz™ Network will accept other program's tokenized points in exchange for itCoin®.

**“Rewards Media (Giftz™) is an existing Loyalty Rewards business, has an A-List team, killer token application and a clever way to get mass adoption (of a crypto).”**  
ICO Crowd Magazine (Issue: Sept 2017)

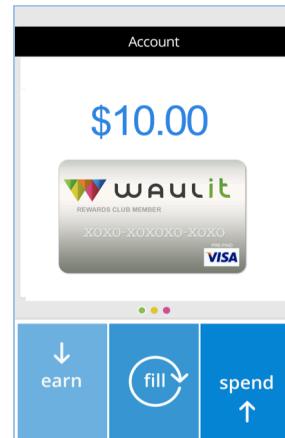
## ■ ■ ■ ■ ■ 02. itCoin® Rewards Tokens (see “technologies for use cases” for mechanics)

Rewards Media chose the name itCoin® from polls done at Worldwide Panel which determined the psychological association between itCoin® and Bitcoin, improved user participation. The Giftz™ Loyalty Tokens are tiered; current levels are, itCoin® Black, Gold and Silver, but perhaps in the future we could introduce new brand or gem levels.



## ■ ■ ■ ■ ■ 03. Waulit™ App, Website (see “technologies for use cases” for mechanics)

The Android & iOS Waulit™ (or [www.waulit.com](http://www.waulit.com) website) is the digital wallet our Giftz™ members will use to collect, top up, trade, share, auction or redeem their itCoin®. You can redeem for cash and merchandize via the free value based Waulit™ Loyalty Card that comes with the app. Currently the Waulit™ holds itCoin® Points only (not tokens), so our members earn itCoin® Points for participating in paid offers, surveys and by viewing ads in the app. With the proceeds of our itCoin® Black Token Sale, we will tokenize our itCoin® Points. After the blockchain development period, Waulit™ will be able to handle new types of secure services such as secure registration, authentication and authorization of members when performing transactions that are managed by the secure blockchain ledger.



## ■ ■ ■ ■ ■ 04. Giftz™ Auctions – Trading Loyalty Tokens (without Exchanges)

The Giftz™ Network Community will have access to a trading platform within its ecosystem (without Exchanges). At the moment, most if not all trading platforms for virtual currencies are based on the operations of exchanges. Exchanges serve an important function, but are not without problems. The Giftz™ Network will implement a completely different and innovative approach to trading tokens that is based on auction technology. The proposed solution has two major characteristics: (1) it solves most of the problems with current crypto currency systems, and (2) it is compatible with current systems, i.e. it does not require any modifications. Our auction platform will make The Giftz™ Network a true crypto-community.

# Blockchain Loyalty

## PROBLEM

Consumers expect incentives and rewards from businesses, but stand-alone programs (like the Starbucks Rewards App-Card or Best Buy Rewards Zone) are too costly for most merchants. Brands that fail to deliver on these expectations are clearly at risk of losing those customers to competitors that do issue their customers rewards. For those who do commit the funds for a program, consumers cite unclear value propositions, lackluster program benefits and irrelevant offers. According to a research study by Edgell Knowledge Network, titled "State of the Industry Research Series: Customer Loyalty in Retail", 81% of loyalty members don't even know the benefits of their programs, or how and when they will receive rewards.<sup>27</sup> However, **these problems are for those merchants who can afford loyalty programs - most cannot.** Best Buy spent \$50 Million just upgrading their loyalty systems.<sup>2</sup> Customers also want to feel like they're getting a great deal, something of high value, and offers that convey a sense of exclusivity. Most programs simply lack excitement.

## SOLUTION

Utilizing Giftz™ blockchain technology any merchant can afford a rewards program. The Giftz™ Network offers two programs. 1) Do-It-Yourself (FREE – JUST BUY POINTS) Program for small to mid-sized merchants and 2) a Low-cost Enterprise Black Coin (Managed) Program.

With either program, consumers can collect itCoin® in stores, apps, games, websites and more. Due to high demand from consumers, American Express launched "Plenti" on May 4, 2015. Plenti is a coalition loyalty program that allows members to earn and redeem points across various brands. A coalition loyalty program offers a wider range of incentives associated with a single card, but costs are too high for smaller businesses. Our Universal Giftz™ Card solution brings costs down dramatically. SEE BELOW:

Giftz™		STAND-ALONE REWARDS	COALITION REWARDS	UNIVERSAL REWARDS
PROGRAM COST (NOT INCLUDING POINTS)	\$\$\$\$\$	\$\$\$	FREE	
EARN/REDEEM AT ONE MERCHANT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EARN/REDEEM IN SELECTED MERCHANTS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EARN/REDEEM AT ANY MERCHANT	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
USE IN APPS, WEBSITES, VIDEO GAMES, TV	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GPS & iBEACON COIN DISTRIBUTION	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXCHANGE YOUR COINS WITH OTHERS	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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***Blockchain Will Transform Customer Loyalty Programs. For consumers juggling an array of loyalty programs, blockchain could provide instant redemption and exchange for multiple loyalty point currencies on a single platform.***<sup>23</sup> Harvard Business Review

## AUGMENTED REALITY/GAMIFICATION

Shoppers will find itCoin® crypto-points in stores. Simply download the free Waulit™ App and start earning itCoin® for local retail store engagement. Users will get “pinged” when they are near retailers who are offering itCoin® crypto-points. Or shoppers can query our map to find local stores offering hidden itCoin®. Capitalizing on the excitement of games like Pokémon Go, Waulit™ will use Beacons and GPS technologies as the tech behind the gamified consumer reward experience. Users will be able to capture itCoin® Gold and Silver, and redeem for in-store cash value. This feature should be especially

compelling to the vast Gen Z demographic, which is 27 percent of the global population and has \$44 billion in spending power.<sup>32</sup> Chris Wong, VP of Strategy and Ecosystem for IBM Global Consumer Industry said, “Retailers are not ready for this generation. A lot of things they’re doing are geared to baby boomers and millennials, but they haven’t thought about how Gen Z is different.”<sup>33</sup> AR gifting of crypto-rewards is a way for merchants to connect with Gen Z, the fastest growing generation in the workplace and the market. Giftz™ is working on it!

# + Find cash, not Pokémon!



Giftz™ provides Merchants new, fun ways to distribute rewards to customers

## VALUE

Add value for any generation when you give **itCoin®Gold**. Most customer loyalty programs use incentives such as a free or discounted items after a certain number of purchases. These strategies have become stale and may actually encourage customers to de-value the products. Perception is the key to value. What sets a business apart is in the details - it's the chocolate on the pillow or glass of champagne at the salon. Giftz™ is the champagne that differentiates you from your competitors. When a business gives itCoin® - they gift rewards gold.

*“Consumers of Kellogg’s breakfast cereals get thanked with American Airlines miles; so do subscribers to USA Today. Together, U.S.-based airlines sell nearly \$2 billion worth of miles to more than 22,000 businesses.” Harvard Business Review*

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Loyal customers are one of the primary drivers of any for-profit business. By building loyalty rewards programs, companies aim to heighten the customer experience. In many cases, however, the opposite has occurred. The implementation of blockchain can drive the customer experience to the next level - here's how:

#### 1. Reducing costs

Although blockchain incurs upfront expenses, we believe that the trade-off cost savings will be identifiable on three major levels—system management, transactional, and customer acquisition. A blockchain-based loyalty rewards program should reduce system management costs with smart contracts that report secure, tracked, transparent transactions to legacy systems, reducing costs associated with errors and fraud.<sup>6</sup>

#### 2. Enabling a frictionless system

An airline credits a customer's rewards in the same digital wallet from which he/she redeems them for the hotel. Through a trustless, decentralized technology solution, blockchain is centralizing the customer's loyalty programs. Loyalty providers decide how and with whom the customer uses these rewards, but from a consumer perspective, his/her ability to access and manage them is practically frictionless.<sup>6</sup>

#### 3. Making the process near real-time

Blockchain can enable a transaction to be recorded and accessed by multiple involved parties in near real time, increasing the chance that a loyalty rewards program provider can cut through coordination inertia to credit points faster.<sup>6</sup>

#### 4. Providing a secure environment

Blockchain creates an immutable and time-stamped distributed database entry of every single transaction ever made, making each transaction and its record easily traceable, but also rendering them irreversible, preventing double spending, fraud, abuse, and any other type of manipulation of the transactions.<sup>6</sup>

#### 5. Creating unique business opportunities

At the onset of building an interlinked loyalty network, large loyalty rewards program providers with well-developed programs will have unique opportunities to offer value-added services to other businesses.<sup>6</sup>

**Deloitte Center for  
Financial Services**

*"I do not believe that any merchants' loyalty program will remain competitive if they do not tokenize their rewards and allow the customer to take physical possession of the points they've earned. Those merchants who have the foresight to tokenize their rewards points will be leaders in their verticals."*

- John Paukulis, Founder Giftz™

**"Blockchain is an ideal remedy for what ails loyalty rewards programs"<sup>6</sup>**

**Deloitte Center for  
Financial Services**

# Giftz™ Card Deposits

Starbucks Rewards App-Card has \$1.2 Billion Dollars on deposit<sup>26</sup>

## WAULIT™ APP-CARDS

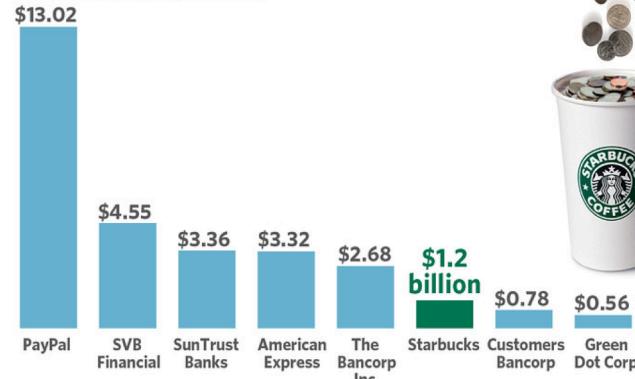
**Starbucks has more deposits than Discovery Financial Services.**<sup>26</sup> According to *Forbes* & *Statista*; 41% of their customers in the U.S. and Canada now pay for beverages and snacks after loading money onto their Starbucks card. Starbucks' customers in the U.S. have loaded at least \$1.2 billion onto the company's cards and app. With 12 million loyalty members in the U.S. alone, the coffee chain boasts more customer money on its cards than many banks have in deposits. The Starbucks "ecosystem" is 12,000 stores; Giftz™ will offer a similar program to many more business retailers all around the world.

**Giftz™ is the Starbucks Rewards App For Any Retailer.**  
Instead of "Stars" the Giftz™ Customer earns itCoin® from participating businesses.

Giftz™ is working with Trust Commerce (credit card processor) to find the right bank partner for our program. The CEO of Trust Commerce is Rob Caulfield who is an Investor and Advisor for Rewards Media, Inc. Mr. Caulfield is an authority on e-Commerce and data security, the Industry Standard named him the "Grandfather of e-Commerce." With Mr. Caulfield's guidance, we will choose which Bank/Bankcard will benefit our organization the most. A large cash liquidity pool gives us leverage.

## Where Starbucks stacks up in deposits

Starbucks and PayPal have more consumer cash than many financial institutions, in billions



Source: WSJ and S&P Global Market Intelligence, Starbucks

## \$16 BILLION IN POINTS GO UNCLAIMED EACH YEAR IN US

**A Buried Treasure** The 2011 Forecast of U.S. Consumer Loyalty Program Points Value<sup>31</sup> study finds that \$16B worth of rewards go unclaimed each year in the USA alone. You might think this was a good thing for the issuer, but there are many non-expiry laws around the world prohibiting that liability from being removed from their balance sheets. Giftz™ crypto-points can remove this liability.

*"Three decades after the inception of the modern frequent flyer program, the rewards industry is ripe for a transition from a culture of accumulation to one of realization in the fullest sense," says Nancy Gordon, chief operating officer for Miami-based Swift Exchange, which co-sponsored the study.*  
*"That means helping consumers make rewards-based purchases as easily as they buy anything else in their daily lives."*<sup>31</sup>

# Token Sale

## ITCOIN® BLACK TOKEN SALE

**STARTS NOVEMBER 24, 2017 (Black Friday)** The Giftz™ Program will be supported through fees and other business models proposed in the White Paper. Giftz™ will also conduct a token sale as the initial distribution channel for itCoin® Black. The token sale is expected to commence on November 24, 2017 (Black Friday) and will take place over approximately 90 days. The actual date of the sale may change because of a range of factors, such as favorable market conditions and recommendations of consultants.

**BUYING THE ITCOIN® BLACK TOKEN** The Giftz™ Network is selling itCoin® Black tokens that will be launched on the Ethereum Network (ERC20). The itCoin® Black token can be purchased by traders, merchants and shoppers. You will receive your itCoin® Black immediately after the network has confirmed your transfer of BTC or ETH to our Ethereum/Bitcoin contract address. You can access your itCoin® Black immediately after your purchase. However, you will only be able to see your itCoin® Black in YOUR Ethereum wallet at this time. After your purchase, you may transfer your itCoin® Black to our Giftz™ Network Wallet (viewable from your Waulit™ App). This is a manual process at this time.

**ITCOIN® BLACK (CONSUMER USE IN ECOSYSTEM):** To use your itCoin® Black within our ecosystem, you must generate Giftz™ Codes (points) viewable in your personal Waulit™. You can use your itCoin® points once converted, but you will be limited to daily maximums of PayPal Cash redemption (until our APIs have been completed and tested for security). You will receive your Giftz™ Code once the network has confirmed your transfer of your itCoin® Black from your Ethereum Wallet to our Giftz™ Business Wallet. Once this transaction has been confirmed by the network, you will receive a Giftz™ Code, less transaction fees. Currently the Giftz™ Codes (points) are fixed to the USD.

**ITCOIN® BLACK (MERCHANT USE IN ECOSYSTEM):** Merchants will be able to hold or trade or use their itCoin® Black to generate Giftz™ Codes (see above rules), but you will not be able to give away rewards to your customers until the client platform is completed in 2018. Please go to <https://www.giftz.network> to join our pilot program. The minimum amount of BTC or ETH accepted during sales of itCoin® Black is \$30.00 USD. Please remember, that since **itCoin® Black is an ERC20 compatible token**; transfers will be subject to standard gas/fees.

**ITCOIN® BLACK PRICING:** 120,000,000 Tokens will be made available in total, of which 50% will be held by The Giftz™ Network and used for maintaining itCoin® Black liquidity pools and future private sales.

60,000,000 will be made available for our Token Sale. The initial token price for our itCoin® Black will be pegged at the ETH equivalent of \$10.00USD. All itCoin® Black will be allocated to buyers on a first-come, first-served basis. Each buyer will automatically receive an amount of itCoin® Black corresponding to the amount of ETH or BTC transferred to our contract address divided by the ETH or BTC sale price. The ETH:USD or BTC:USD exchange rate will be determined within 24 hours of the itCoin® Black sale.

Please note that Giftz™ reserves the right to amend, the sales price at any time as well as the number of itCoin® Black for sale or the timing of the sale. All changes will be announced on our website: [www.giftz.io](http://www.giftz.io).

## TOKEN SALE DISTRIBUTION

The Giftz Network team expects to utilize funds in the following areas:

- **Software Development**, smart contract development, product development, security reviews, etc.
- **Corporate Infrastructure Growth**: This includes overhead, staff and key employees.
- **Business Development**: This includes cultivating partnerships with different players in the industry, identifying new markets and opportunities for products and services, customer acquisitions.
- **Legal/patent**: This includes on-going fees and compliance, token sale structure, tax and legal advice.
- **Founding Investors & Advisor Compensation**: This includes any buy backs of convertible notes, dividends or compensation due investors and advisors.
- **Token Sale Fees**: This includes the costs associated with launching the itCoin® Black token sale.
- **Community Development**: This includes incentives for the community.
- **External Costs, Security Audits, Bug Bounties** as the blockchain community grows so will other costs associated with technology and development.

## TOKEN SALE ALLOCATION

Token Pre-sale Cap: \$1 Million

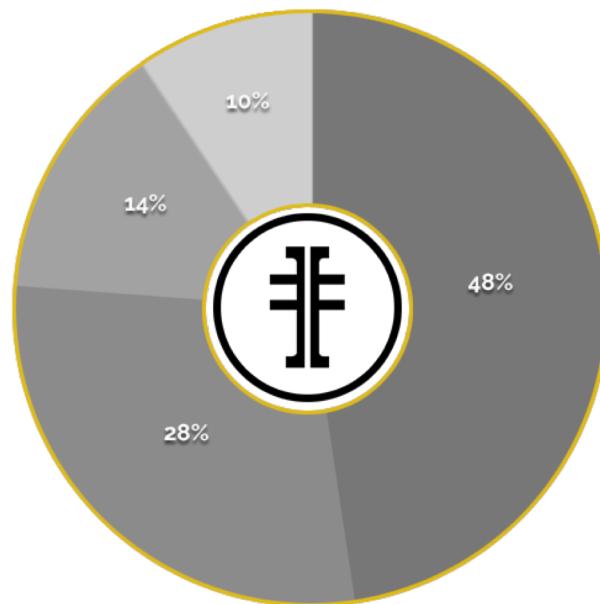
Main Token Sale Soft Cap: \$50 Million

48% Allocated for development  
and liquidity pools

28% Allocated for corp infrastructure,  
innovation, sales/admin staff,  
advisors and founding investors

14% Allocated to the team of  
contributors helping us launch the token  
sale

10% Reserved for incentives for the  
blockchain development community



Merchants and their customers will need itCoin® Black ERC20 Tokens to participate in the Giftz™ Ecosystem.

A finite amount of itCoin® Black will be allotted for public purchase.

# Road Map



# Architecture

## LEGACY

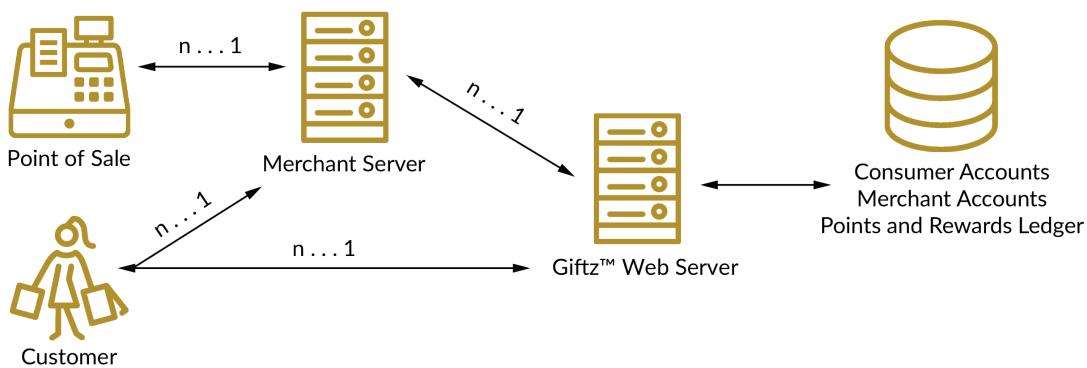
The legacy architecture of the Giftz™ rewards business serves as a baseline for the newly developed Blockchain based network. As Giftz™ enhances existing interfaces and adds new interfaces; merchants and retail consumers should experience a seamless integration of existing experiences with merchant and Giftz™ tools for managing reward and loyalty points. New interfaces will include tools for the management of cryptographic tokens over both external markets and Giftz™ internal reward and loyalty programs.

## LEVERAGED BASELINE

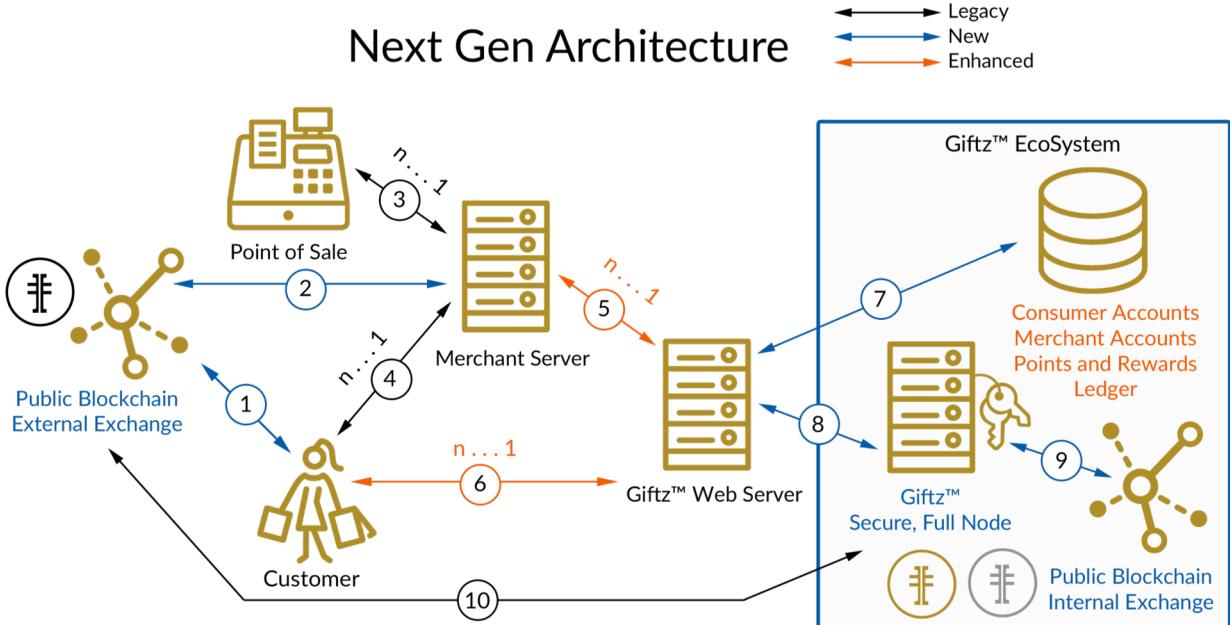
Retail consumer incentives are improved with the addition of digital, cryptographic itCoin® tokens. The itCoin® provides a system which is more accessible, available, and transferable than traditional reward programs based upon Giftz™ Cards and digital wallet. The current systems and web pages used by hundreds of thousands of existing Rewards Media members can be reused as a baseline from which to add new use cases of rewards and incentives for Giftz™, as depicted below in Figure 1.

FIGURE 1.

### Legacy Architecture



### Next Gen Architecture



*ABOVE: FIGURE 1. Architecture Migration*

The blue box in *Figure 1* represents the data system for the Giftz™ ecosystem backend. The Giftz™ data system is synchronized across its two major elements, the existing SQL database and the blockchain, which is the truth data. A transaction between the Giftz™ web server and the backend data system starts with consumers and merchants performing a transaction with itCoin® Gold and Silver tokens. Each itCoin® Gold and Silver transaction updates the SQL database and creates a corresponding internal exchange blockchain transaction, submitted by the Giftz™ secure, full node, requiring private keys of the Giftz™ -- controlled cryptographic wallets for the involved accounts.

ID #	Primary Purpose	High-Level Functions	Protocols	Data Model and Cardinality
1	Provides consumers/retail customers a means to directly buy or sell itCoin® Black from various public markets of itCoin® Black and Ether, i.e. {iT,ETH} pair, or government fiat, i.e. {itCoin® USD}, on the Ethereum blockchain.	Trade Ether for itCoin® Black over public exchanges and deployed smart contracts	Ethereum smart contracts Trading APIs	Personal Ethereum wallets Many to One
2	Merchant B2B interface into itCoin® Black activity and economy, automated monitor and trade	Blockchain to merchant B2B interface for clearing and finalization of transactions across payment systems	Ether smart contracts Trading APIs	Merchant Ether wallets Many to One
3	Existing interfaces to PoS systems and B2B merchant interface	Traditional transactional management	Legacy	Legacy
4	Existing consumer-facing user interfaces from merchant, may be enhanced to support additional rewards and incentives use cases from itCoin® Black integration	Consumer engagement, retention, and data collection	Legacy	Legacy
5	Enhanced B2B, machine-to-machine interfaces between merchant and Giftz servers to facilitate itCoin® Black to Gold/Silver exchanges, redemption,	Internal execution of itCoin® Black to Gold/Silver exchanges  Transfers of itCoin® Gold and Silver across Waulits over DPOS blockchain wallets  Wide distribution of itCoin® Gold and Silver on schedule and/or programs  Redemption to USD	Ether to USD protocols  HTTPS  DPOS blockchain  InterLedger Protocols	SQL to distributed database synchronization  Many to One
				Cont.

6	Enhanced consumer-facing user interfaces from Giftz™, to include supporting use cases for itCoin® Black, Gold, and Silver coin management, transfers, exchanges, redemption, reports, and account management	itCoin® buying and selling  itCoin® transfers  itCoin® Black to Gold/Silver exchange itCoin®  Gold/Silver redemption  Waulit balance reports  Account management  Available reward and incentive promotions, plans, programs, and offers  Backend services for mobile Giftz™ applications	HTTPS	SQL  Many to One
7	This is the primary gateway to the government fiat economy, i.e. USD, by money transmitting and payment processing on USD. Also is the SQL database of accounts and transactions, synchronized with the Ether and DPOS blockchains on a frequent basis, which supports the legacy database of reward and incentive programs and status across merchants	Legacy database of merchant reward and incentive programs and status  Enhanced database for blockchain transactions across the Ether and DPOS blockchains	Legacy	Payment processing protocols  Money transmitter protocols
8	Full node on both Ether and DPOS blockchains, as well as the key manager for all the blockchain wallets. All blockchain transactions start here and end here.	API to Giftz™ server to handle blockchain queries  Key management  itCoin® buying and selling  itCoin® transfers	HTTPS  P2P	DPOS wallets  Ether wallets  Offline key storage  One to One
9	P2P interface to the Ether and DPOS blockchains	Connects to peer nodes and maintains connection to receive updates  itCoin® buying and selling  itCoin® transfers	HTTPS  P2P	Blockchain distributed databases, Ethereum and DPOS  Two to One
10	Management of Ethereum smart contracts for itCoin® Black and manager of monitors across public exchanges of order books of itCoin® Black for prices below the peg. Also responsible for the critical management of the Ether and itCoin® Black liquidity pools and implementation of pricing models.	Ethererum smart contracts  Trading bots  Realtime management of public pricing strategy  Enforce Ether and itCoin® Black liquidity pool rules	HTTPS  P2P	Many to One

## INTERFACE DESIGN DESCRIPTION

Each interface is numbered in the diagram below. Most are new or enhanced and are tabled below, describing the high-level purpose and functions of each interface.

## USE CASES

This section discusses the various ways for merchants to manage their itCoin® within the Giftz™ Network and for consumers to earn, manage and redeem their itCoin®.

### (A) Buy itCoin Black using Ethereum Giftz smart contract - Pre-conditions:

- a) 1 Silver itCoin® = 0.0001 USD = Silver Peg
- b) 1 Gold itCoin® = 10,000 Silver itCoin® = 1 USD = Gold Peg
- c) 1 Black itCoin® = 10 Gold itCoin® = 10 USD = Black Peg
- d) Consumer has Giftz™ account and Waulit™
- e) Period has stable (USD, Ether) market
- f) itCoin® Black peg price feed available on Giftz™ web site – serves as market order price for smart contract in order to execute buys

A consumer or merchant executes the Giftz™ smart contract from his Ethereum wallet to buy itCoin® Black tokens at the published peg price from the Giftz™ web site. After a completed transaction, the buyer receives the amount of itCoin® Black coins, at the pegged exchange rate into his Ethereum wallet.

### (B) Price Peg is Best Ask - Pre-conditions:

- a) 1 Silver itCoin® = 0.0001 USD = Silver Peg
- b) 1 Gold itCoin® = 10,000 Silver itCoin® = 1 USD = Gold Peg
- c) 1 Black itCoin® = 10 Gold itCoin® = 10 USD = Black Peg
- d) Consumer has Giftz™ account and Waulit™
- e) Period has stable (USD, Ether) market

A consumer wants to buy a Black coin with 1 Ether. The Giftz™ pegged Black to ETH price on the Poloniex public market  $\frac{\text{Black}}{\text{ETH}}$  is  $\left(\frac{\text{Black}}{\text{USD}}\right) \times \left(\frac{\text{USD}}{\text{ETH}}\right)$ , which is  $\left(\frac{1}{10}\right) \times \left(\frac{333}{1}\right) = 33.3$  at last ETH price of \$333. The consumer submits a bid at the peg price, the lowest price on market, for 1 Ether, receiving 33.3 itCoin® Black coins. Those 33.3 coins are submitted for exchange to itCoin® Gold coins through the Giftz™ web server, using the pegged Black to Gold exchange rate,  $\frac{\text{Gold}}{\text{Black}} = \left(\frac{\text{Gold}}{\text{USD}}\right) \times \left(\frac{\text{USD}}{\text{Black}}\right) = \left(\frac{1}{1}\right) \times \left(\frac{10}{1}\right) = 10$ , transferring 333 itCoin® Gold coins. The Giftz™ Ether wallet receives 1 Ether and 33.3 itCoin® Black coins. The Giftz™ DPOS wallet is debited 333 itCoin® Gold coins and the consumer DPOS wallet is credited with 333 itCoin® Gold coins.

### (C) Price Peg is NOT the Best Ask - Pre-conditions:

- a) 1 Silver itCoin® = 0.0001 USD = Silver Peg
- b) 1 Gold itCoin® = 10,000 Silver itCoin® = 1 USD = Gold Peg
- c) 1 Black itCoin® = 10 Gold itCoin® = 10 USD = Black Peg
- d) Consumer has Giftz™ account and Waulit™
- e) Period has stable (USD, Ether) market

A consumer wants to buy a Black coin with 1 Ether. The Giftz™ pegged Black to ETH price on the Poloniex public market  $\frac{\text{Black}}{\text{ETH}}$  is  $\left(\frac{\text{Black}}{\text{USD}}\right) \times \left(\frac{\text{USD}}{\text{ETH}}\right)$ , which is  $\left(\frac{1}{10}\right) \times \left(\frac{333}{1}\right) = 33.3$  at last ETH price of \$333. The consumer submits a bid lower than the peg price for 1 Ether. Giftz™ does not meet the bid but an external itCoin®

Black holder submits a lower ask than the Giftz™ peg for 1 Ether, in hopes of enticing the consumer to match the external itCoin® Black ask price. Giftz™ auto monitors markets for lower asks and immediately meets the ask before the consumer can change his market order to meet the lower ask. The lower ask price is,  $\frac{\text{Black}}{\text{ETH}} = \left(\frac{\text{Black}}{\text{USD}}\right)_{\text{lower}} \times \left(\frac{\text{USD}}{\text{ETH}}\right) = \left(\frac{1}{9}\right) \times \left(\frac{333}{1}\right) = 37$

At this point, Giftz™ receives 37 itCoin® Black coins for 1 Ether. At the peg, 1 Ether brings in 33.3 itCoin® Black coins. So the Ether liquidity pool, at this point, has more Ether than necessary to cover all outstanding itCoin®

Black coins in the public domain, since Giftz™ now has this Ether revenue(excess<sub>black</sub>)  $\times \left(\frac{\text{ETH}}{\text{Black}}\right)_{\text{peg}} = (37 - 33) \times \left(\frac{10}{333}\right) = 0.12\text{ETH} = 40\$$

#### **(D) Ether and USD Liquidity Pool Balance Dynamics - Pre-conditions:**

- a) Volatile (Ether, USD) public markets
- b) Existing public markets for (Ether, itCoin® Black)
- c) (Ether, itCoin® Black) public market APIs exist
- d) All itCoin® Black coins have been sold at an Ether peg price (i.e. the peg price at time of sale)

Although this adds technical risk to Giftz™ financials, there are significant benefits to investors, merchants and retail consumers. For investors, having these liquidity pools provide the working capital to perform buybacks to enforce a price floor on the internal (USD, itCoin® Black) market and the public (ETH, itCoin® Black) exchange market. These buybacks mitigate against downward Ether price pressure, thereby providing protections on their investment. For merchants and retail customers, itCoin® Black coins have more value than a means to obtain Gold and Silver loyalty coins. itCoin® Black coins are protected investments as well and so offer another benefit beyond just loyalty rewards only.

The pool dynamics include changes on distribution percentages across USD and Ether from itCoin® Black coin sales as well as liquidity pool size. These dynamics are described in Figures 3 and 4 in the Technical Risks section. Generally, buyers and sellers of itCoin® Black coins over public (Ether, itCoin® Black) markets are heavily influenced by (Ether, USD) public markets. It is critical that these liquidity pools are maintained so that the price controls can be effective in dampening the effects on (Ether, itCoin® Black) markets from large USD price drops of Ether.

Given an USD price peg of itCoin® Black, if the USD price of Ether increases, it causes downward price pressure against the Ether, itCoin® Black peg. Figure 2 below depicts this basic scenario. Subsequently, public domain holders of itCoin® Black can sell at a lower Ether price in an attempt to make a profit on itCoin® Black coins bought at a previous Ether price peg. This triggers the Giftz™ price control to use Ether from the Ether liquidity pool to match that sell ask. This continues until either the sell market on lower than peg is bought off or Giftz™ has hit the floor on minimum size of the Ether liquidity pool. At this point, USD from the USD liquidity pool is used to further mitigate the sell market lower than peg. This continues until either the sell market on lower than peg is bought off or Giftz™ has hit the floor on minimum size of the USD liquidity pool. Further mitigations exist which provide resistance up this point. Those are,

- Giftz™ maintains an itCoin® Black liquidity pool to limit the total number of public domain itCoin® Black coins relative to the pool holdings;
- Naked shorting on (Ether, USD) or (Ether, itCoin® Black) public markets is not possible;
- Giftz™ maintains and owns a sizeable block of customer and merchant Ethereum wallets, thereby, allowing, to a certain extent, control on timing of transfers and insight into the dynamics of the total possible sell side volume; and,
- Giftz™ smart contract only exchanges Ether for itCoin® Black coins at the published peg price which is adjusted to peg USD value of each itCoin® Black coin.

The figure below depicts the above scenario (cont.)

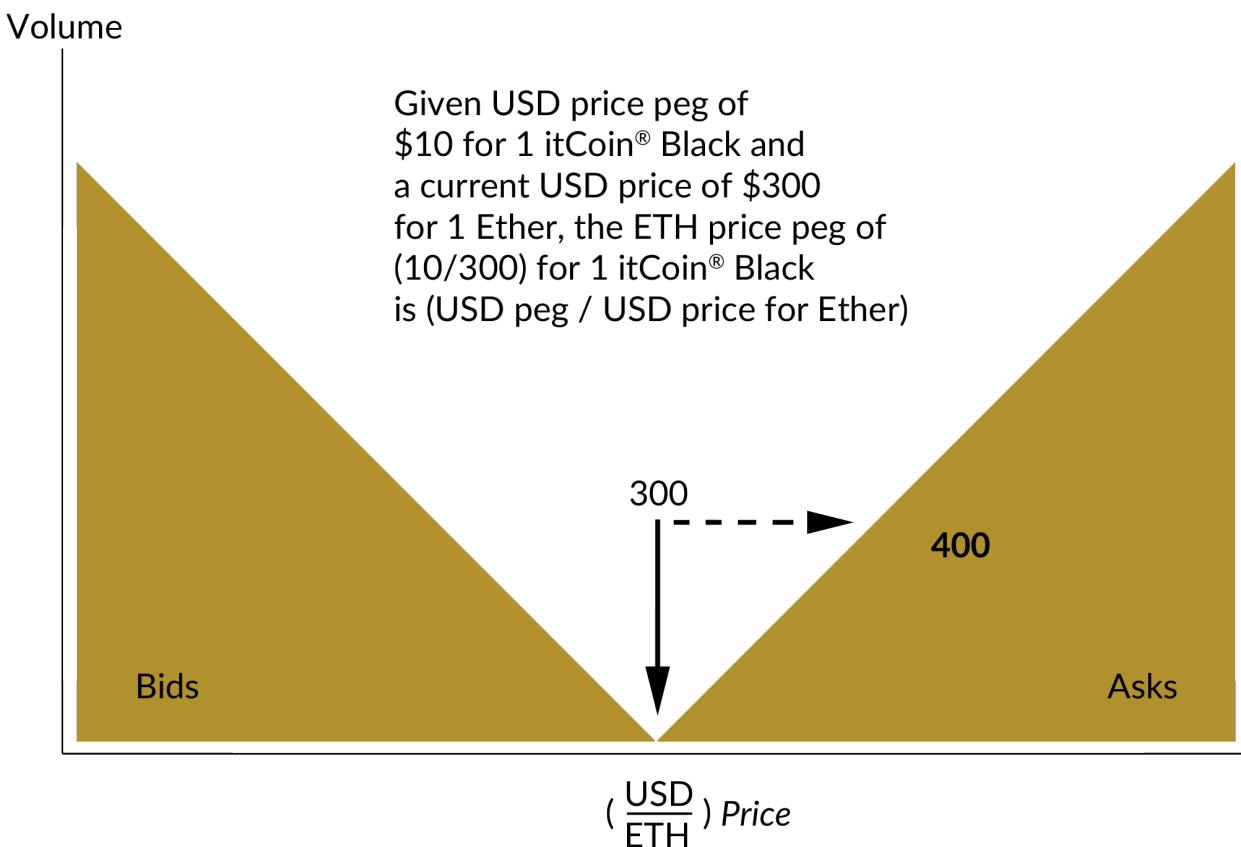
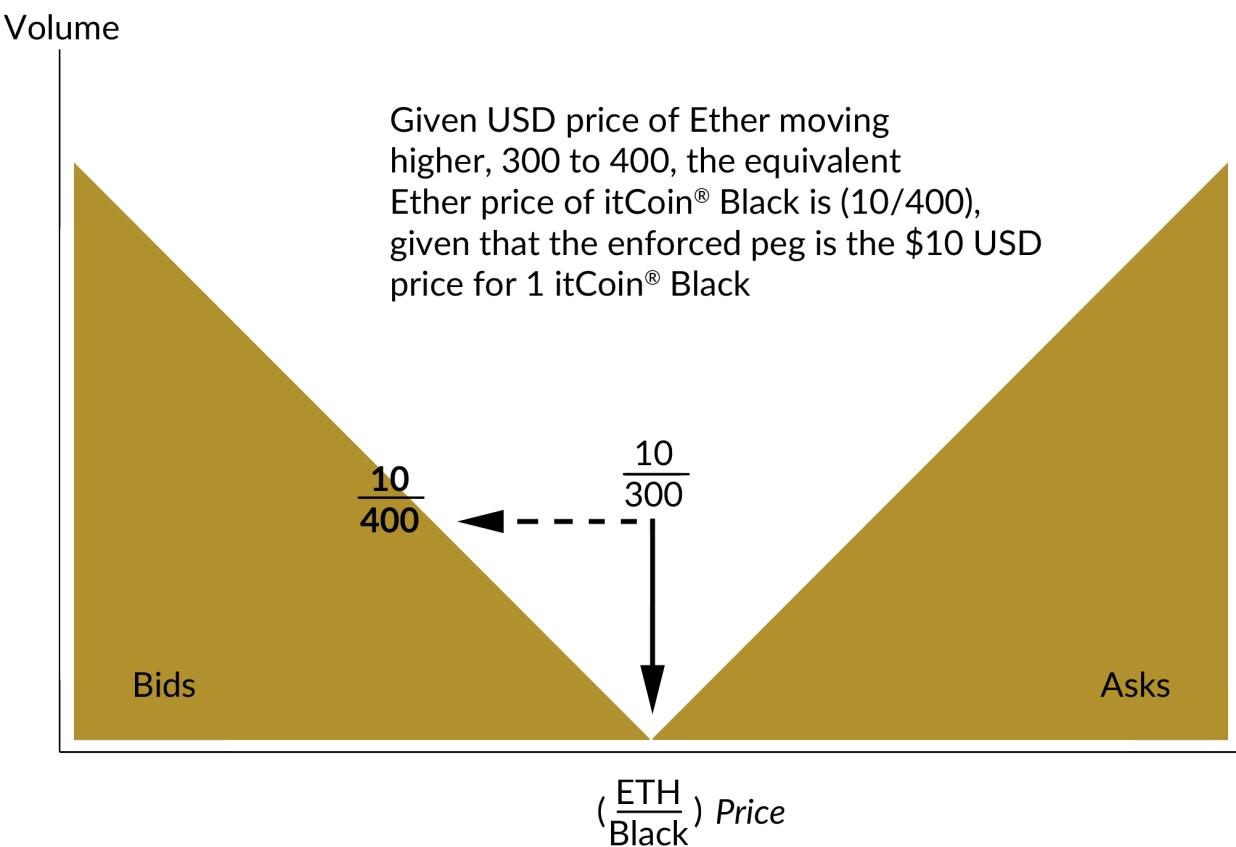


Figure 2 Effects on Ether price on itCoin® given 10\$ USD price peg

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In the opposite direction of price, if the price of Ether against the USD decreases, it causes upward price pressure against the (Ether, itCoin® Black) peg. Subsequently, public domain holders of Ether can buy itCoin® Black at the lower Ether peg price and make a profit. This triggers the Giftz™ risk control to cancel any outstanding asks at peg and resubmits at a higher priced peg, thereby increasing the peg price. This exposes previously higher ask orders, which the Giftz™ price control matches by using Ether from the Ether liquidity pool to match that sell ask. This continues until either the sell market on lower than 'just increased peg' is bought off or Giftz™ has hit the floor on minimum size of the Ether liquidity pool. At this point, USD from the USD liquidity pool is used to further mitigate the sell market lower than 'just increased peg'. This continues until either the sell market on lower than 'just increased peg' is bought off or Giftz™ has hit the floor on minimum size of the USD liquidity pool.

**(E) Redemption of Gold and Silver to USD - Pre-conditions:**

- a) 1 Silver itCoin® = 0.0001 USD = Silver Peg
- b) 1 Gold itCoin® = 10,000 Silver itCoin® = 1 USD = Gold Peg
- c) 1 Black itCoin® = 10 Gold coins = 10 USD = Black Peg
- d) Consumer has Giftz™ account and Waulit™

A consumer wants to redeem the minimum value for cash to the value-based redemption card (debit). The minimum redemption value is 10 USD. The consumer logs into his account and issues a redemption request for 10 USD from his account balance. The Giftz™ ecosystem performs a DPOS blockchain transfer, moving the requisite number of DPOS coins to the Giftz™ DPOS wallet. Once the DPOS blockchain transfer is complete, Giftz™ loads the value-based redemption card.

**(F) Redemption of Black to Gold and Silver**

Same as (5) but reversed.

## TECHNOLOGIES FOR USE CASES

The Giftz™ Network (TGN), is a blockchain loyalty ecosystem and customer engagement program. It offers the following services to its members:

- (1) Giftz™ Global Blockchain Rewards Ecosystem
- (2) itCoin® Rewards Tokens (Gold and Silver Tokens in the Ecosystem)
- (3) itCoin® Black Tokens (Traded Token)
- (4) Mobile Waulit™
- (5) Value-Based Loyalty Token Auction/Exchange

**(A) Giftz™ Mobile Waulit™**

The Waulit™ is the mobile client for the Giftz™ system. In addition to ad-push and rewards offers, Waulit™ will handle three types of services for members of the Giftz™ system: (1) registration, authentication and authorization of Giftz™ system members, when performing transactions, plus data privacy for users, (2) all financial transactions of the Giftz™ system, and (3) security of transactions based on multi-signature cryptographic schemes utilizing secure cryptographic objects managed by the secure blockchain ledger.

With these properties, the Waulit™ will perform secure, direct, peer-to-peer transactions that can be validated by their recipients, with use of block producers (as trusted third parties) and without blocks and settlement delays. A core feature of the Giftz™ Waulit™ is that it will be deployed in a secure ecosystem supported by the secure blockchain ledger. This implies that the Waulit™ is also TEE (Trusted Execution Environment), which provides security services to our users. In order to mitigate security problems with hackers and privacy violations with service providers, The Giftz™ Network Systems will use an innovative approach to ensure security, privacy and anonymity of users. Giftz™ will not store users' personal and sensitive data on application servers at all.

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Sensitive personal security credentials will only be stored in personal secure applications installed on users' workstations, in their personal "vaults" (in a secure cloud), or in smart phones - all in encrypted form. Users' identification data and security credentials will be completely encrypted, securely stored, and handled only by Trusted Execution Environments (TEE). One version of the TEE, (with lower level of security), will be implemented as software (cryptographic "vault"). For a higher-level security version, TEE will be based on smart cards. With this approach, all Giftz™ data records and application objects will be encrypted by the crypto engines of the TEE located either on the users' workstations, in secure cloud "vaults" or on the users' mobile phones. Application objects will be cryptographically encapsulated (encrypted and/or digitally signed) immediately after their creation by our system applications and before they are sent to the Giftz™ system. Data will be cryptographically encapsulated and then uploaded to the sharing/storage servers.

When users' personal security credentials, are retrieved from the secure blockchain and stored in local TEEs of smart phones, this enables two core security services, sender's authenticity and receiver's authenticity. Sender's authenticity means that all users in the Giftz™ system will be able to (undeniably) validate that a specific transaction has been created by a specific user. This service is provided by the combination of cryptographic hashing and digital signature. Receiver's authenticity is a security service that guarantees that only the intended recipient can receive the transaction in which he/she is the receiving party. This service is provided by the combination of secret key cryptography and digital encapsulation called "**digital (cryptographic) enveloping**."

However, contrary to other standard secure Internet applications (such as secure E-mail), it is well known that hashing and digital signing is not an appropriate security service for blockchain applications and objects. The reason is that the threat module in the blockchain application is fundamentally different from the threat model for standard Internet applications.

The solution for this problem is the multi-signature mechanism. In general, mulit-sig means that more than one party should sign a transaction. In order for this approach to work the first issue that must be solved is the privacy of transaction creators. If some other party should sign the transaction, it should not be in the position to inspect transaction data. Provided that this issue is solved, then a multi-signature Waulit™ would provide undeniable validation of transactions for all members of the system.

Since analysis of the threat model combined with analysis of roles and authorizations of different parties in the Giftz™ system is very complex issue, it will be pursued and solved as one of the long-term tasks of the Giftz™ system after funding.

The principal approach with any security system is to establish a Security Policy Authority, the entity that will create, enforce and control Security Policy. This Authority will determine which entities in the system will be validators of transactions using multi-signature protocol.

#### **(B) Giftz™ Auctions – Trading Loyalty Tokens (without Exchanges)**

At the moment, most if not all trading platforms for virtual currencies are based on the operations of exchanges. Most of which originated from the concept of Bitcoin system and exchanges for Bitcoins. However, it is well known that current concepts, implementations, and operational experiences with Bitcoin and other crypto currencies have many problems. Some of them are so serious that they jeopardize future large-scale use and even challenge the survival of cryptocurrencies. Thus far, some solutions proposed for these problems have had objectionable consequences, such as splitting Bitcoin into two systems, extending the block size, and speeding up validation procedures. The Giftz™ Network Systems will implement a completely different and innovative approach. The proposed solution has two major characteristics: (a) it solves most of the problems with current crypto currency systems, and (b) it is compatible with current systems, i.e. it does not require any modifications.

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The new system will be based on two core innovative ideas: (1) special cryptographic protocols of *multi-party signatures* and (2) *cryptographic enveloping* to validate users' addresses, identities, and transactions. Digital (cryptographic) enveloping has been described in the previous section.

The second idea is to introduce the system / protocol for trading cryptocurrencies based on *community auctions* and not on centralized or distributed exchanges. Therefore, the system will not use any centralized components and it will perform instantaneous, truly peer-to-peer transactions. With this approach, trading any Loyalty Tokens (Tokenized Miles, Tokenized Points) will be performed as peer-to-peer transactions and all users will have full privacy and anonymity. Our auction platform will make The Giftz™ Network a true community.

### **(C) Giftz™ Secure Blockchain Ledger**

#### **C.1 Giftz System – Single Instance System Architecture**

This section describes the internal architecture (components and protocols) of the complete Giftz™ Network Systems. The system has four types of IT clients: (1) workstation browser, (2) mobile browser, (3) Giftz™ Waulit™ for iPhone, and (4) Giftz™ Waulit™ for Android smart phones.

Front-end interface for browser clients will be Giftz™ System Portal. Back-end server comprises micro services functional modules for all Giftz™ system transactions. For bank-to-bank account transfers, the system will be in the back connected to the inter-banking (ACH) network. For bankcard transactions, the system will be in the back connected to the international bankcard network. For Ethereum or Bitcoin transactions, the system will be in the back connected to the Ethereum or Bitcoin network.

After a person or business entity registers (login), the user will be transferred to the internal Giftz™ Waulit™ System Dashboard & Menu where all functions and transactions will be performed and viewed. All registered user's accounts - including but not limited to; itCoin® (Giftz™ Rewards accounts), bank accounts, bankcards, and Ethereum and Bitcoin accounts will be listed within the Waulit™.

#### **C.2 Giftz™ System with Multiple Instances – Local Giftz™ Ledger**

Since Giftz™ financial transactions contain sensitive data, transactions must be protected during transfer between two instances of the Giftz™ System. The transfer of financial data will be protected by the Giftz™ Local Ledger Server. One of these servers will be associated with each instance of the Giftz™ Application Server. Giftz™ Applications System will be connected to the Local Giftz™ Ledger Server that will assist users in managing their Identities, Certificates, and Financial Profiles.

With the Giftz™ Local Ledger Server users will be able to create/update their Identities and Certificates. Giftz™ Financial Profiles will be updated automatically, as results of financial transactions, so they will be shared with other Giftz™ users using Local Giftz™ Ledger Server.

#### **C.3 The Giftz™ System – Global Giftz™ Ledger Infrastructure**

In addition to being connected to the local instance of the Giftz™ System and to all remote Giftz™ Ledger Servers associated with remote instances of the Giftz™ System, each Local Giftz™ Ledger Server will also be linked to one or more Global Giftz™ Ledger Servers. Multiple Global Giftz™ Ledger Servers will constitute the international Giftz™ Secure Ledger Infrastructure.

When users create or update their Identities and/or their Certificates, using the Waulit™ Dashboard interface of the Local Giftz™ Ledger Server, the Local Server transfers Identities and Certificates to the Global Giftz™ Ledger Server to which there are associated. All Global Giftz™ Ledger Servers will be connected and synchronized, so they will share updated Identities and Certificates of all users across the entire Giftz™ Applications Ecosystem.

## TECHNICAL RISKS

The following risks are described in detail as well as our mitigation plans and controls. In particular, the largest risk is in the itCoin® Black exchange market for (Ether, itCoin® Black). This exposes Giftz™ then to the risk from (Ether, USD) public markets. Both of these risks are managed by maintaining and enforcing rules on distribution and size of itCoin® Black, Ether, and USD liquidity pools, as well as issuance strategies of itC itCoin® Black, which fund the liquidity pools, and internal exchange rates amongst itCoin® Black, Gold, and Silver.

### Black Swan Event on itCoin® Black Market Price

Giftz™ ecosystem uses price controls to mitigate sensitivity to public market forces acting within the external token exchange blockchain for the (Ether, itCoin® Black) market. Since itCoin® Black coins are only sold by Giftz™ at the Ether price peg rate, e.g. equivalent Ether price to \$100 (example only) per coin, (Ether, USD) market rates and (Ether, itCoin® Black) market speculation activity both contribute to the up and down Ether price pressure for itCoin® Black tokens. This is depicted in Figure 3 below.

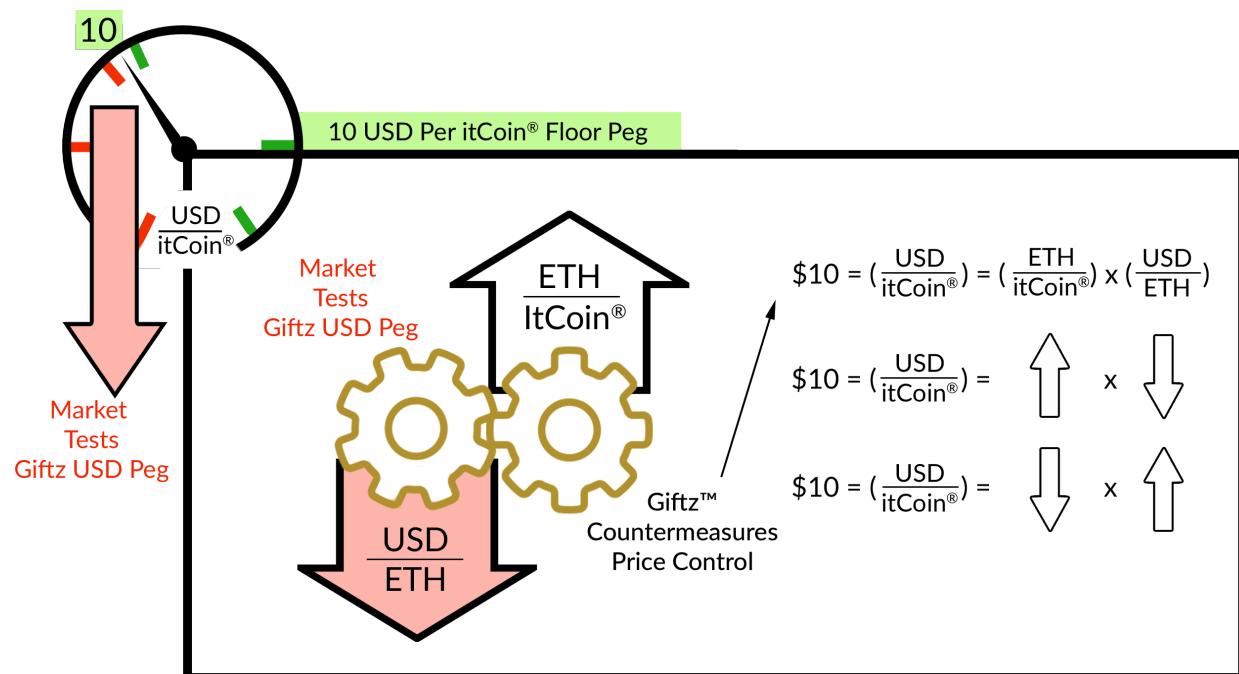


Figure 3 Giftz™ USD/itCoin® Peg

The  $\frac{ETH}{itCoin}$  Giftz™ price control is powered by the dynamics of the Ether and USD liquidity pool and relative size to each other. Use case (D) above describes how the enforced USD price peg for 1 itCoin® Black effects downstream (ETH,USD) and (ETH,itCoin® Black) markets. Figure 4 below depicts the dynamics between both pools which ultimately feed and power the price control at the same USD price peg.

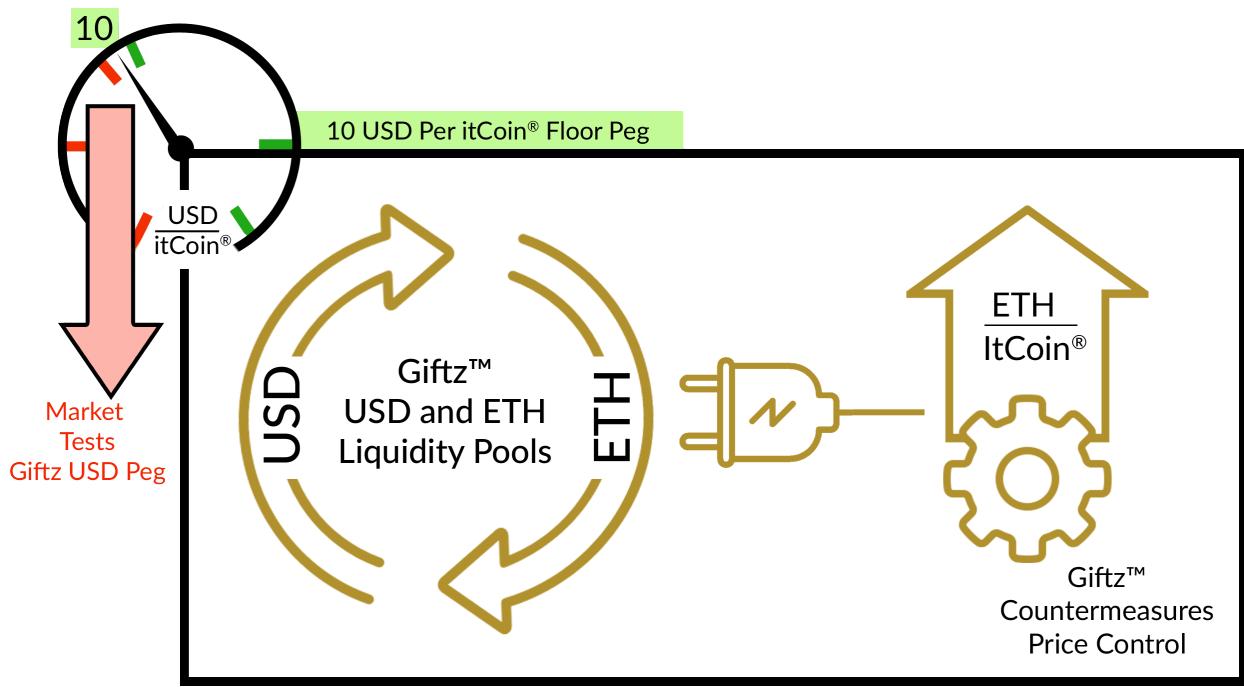
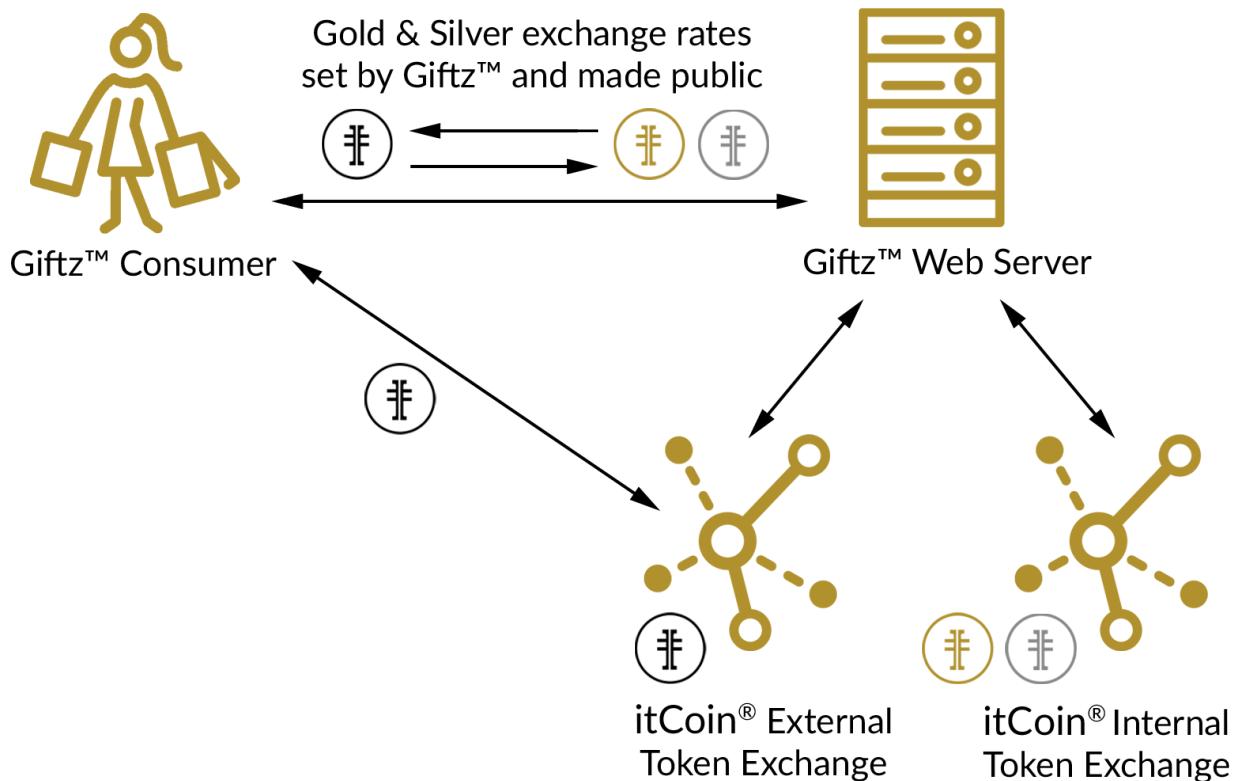


Figure 4 Giftz™ USD/itCoin® Peg Powered by Ether & USD Liquidity Pools

At issuance, the only seller of itCoin® Black coins will be Reward Media, Inc. and so this critical aspect of the initial price control is simply rules based. However, as more itCoin® Black is distributed out to the public domain, the price controls and the algorithms behind the tokens will either maintain the Ether price peg or move the Ether price peg up when algorithmic triggers are pulled by market forces. At certain times, the gap between a higher Ether price peg and the best bid price may grow to be significant and cause lower liquidity for the tokens, since the Giftz™ price controls are immediately buying lower ask prices from the Giftz™ Ether pool. However, this lower liquidity on the (Ether, itCoin® Black) public markets do not negatively affect liquidity on the Giftz™ controlled exchange from the ecosystem itCoin® Gold and Silver to itCoin® Black or vice versa.

This managed risk approach employs Ether and USD liquidity pools to enforce an itCoin® Black Ether price peg, funded by itCoin® Black sales over public markets and internal itCoin® Gold and Silver exchange. The price control rules distribute itCoin® Black sales revenue between Ether and USD. For example, at the initial issuance of itCoin® Black, the sole seller is Giftz™. Giftz™ will sell each itCoin® Black at the Ether pegged price to public market and the resulting sales revenue feeds into the Ether and USD liquidity pools at some distribution. As purchasers acquire itCoin® Black coins and then offer their coins at a lower price than the peg, Giftz™ will execute on those sell offers using the Ether liquidity pool, at regular and frequent buying intervals, and, at times, requiring the use of the USD liquidity pool to buy more Ether. Any difference from the higher peg price to the lower sales price is revenue into Giftz™. This buy demand provides upward price pressure, bringing the market price back up to the peg and/or lower (Ether, itCoin® Black) market liquidity. Ultimately, the goal is to protect the itCoin® Black holder, by supporting an itCoin® Gold and Silver exchange rate that retains as much value as possible against any large downturns on itCoin® Black market price. A graphical depiction of the high-level coin flows is below.

# High Level Coin Flows



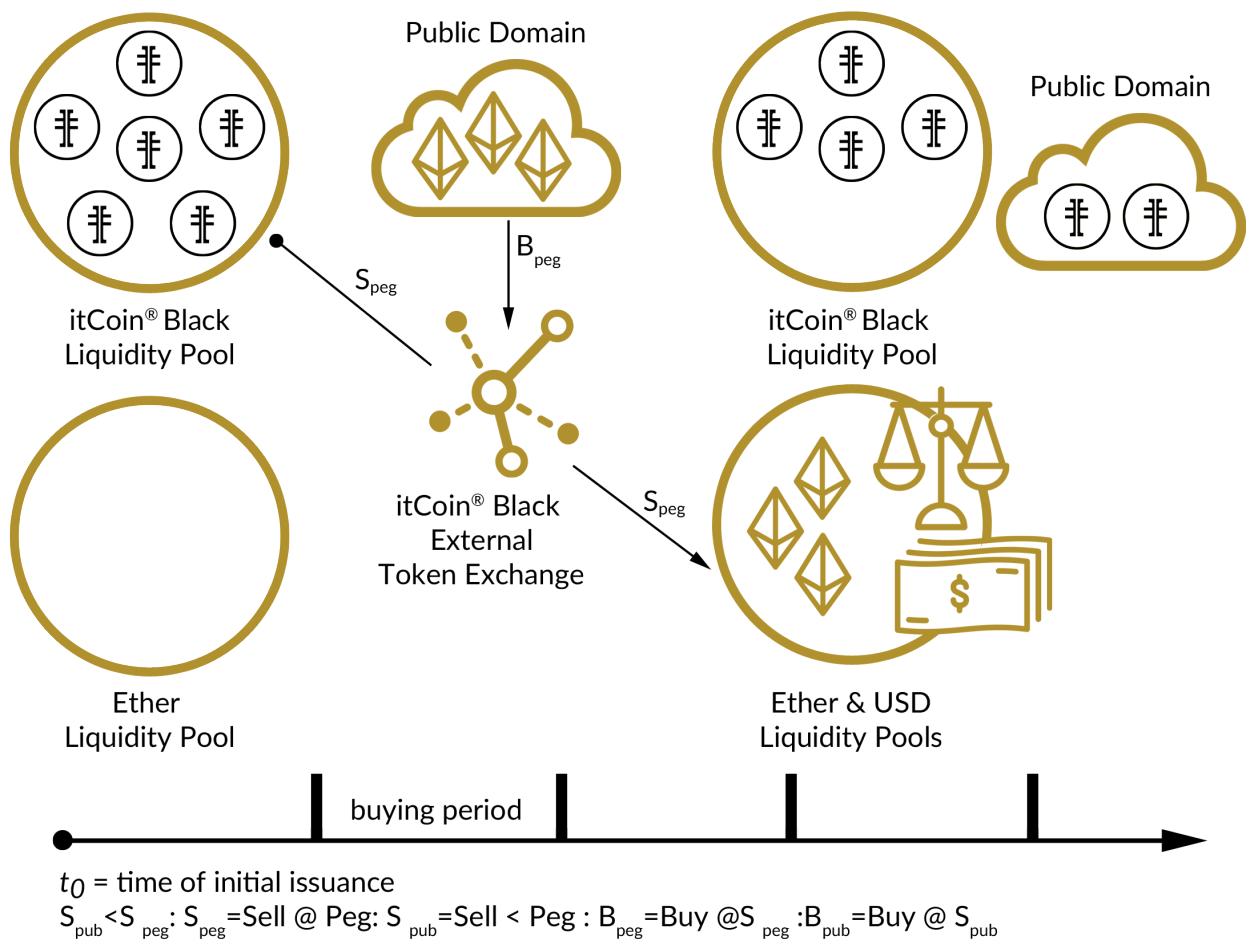
## RISK CONTROLS

#### (A) Liquidity Pool Price Peg

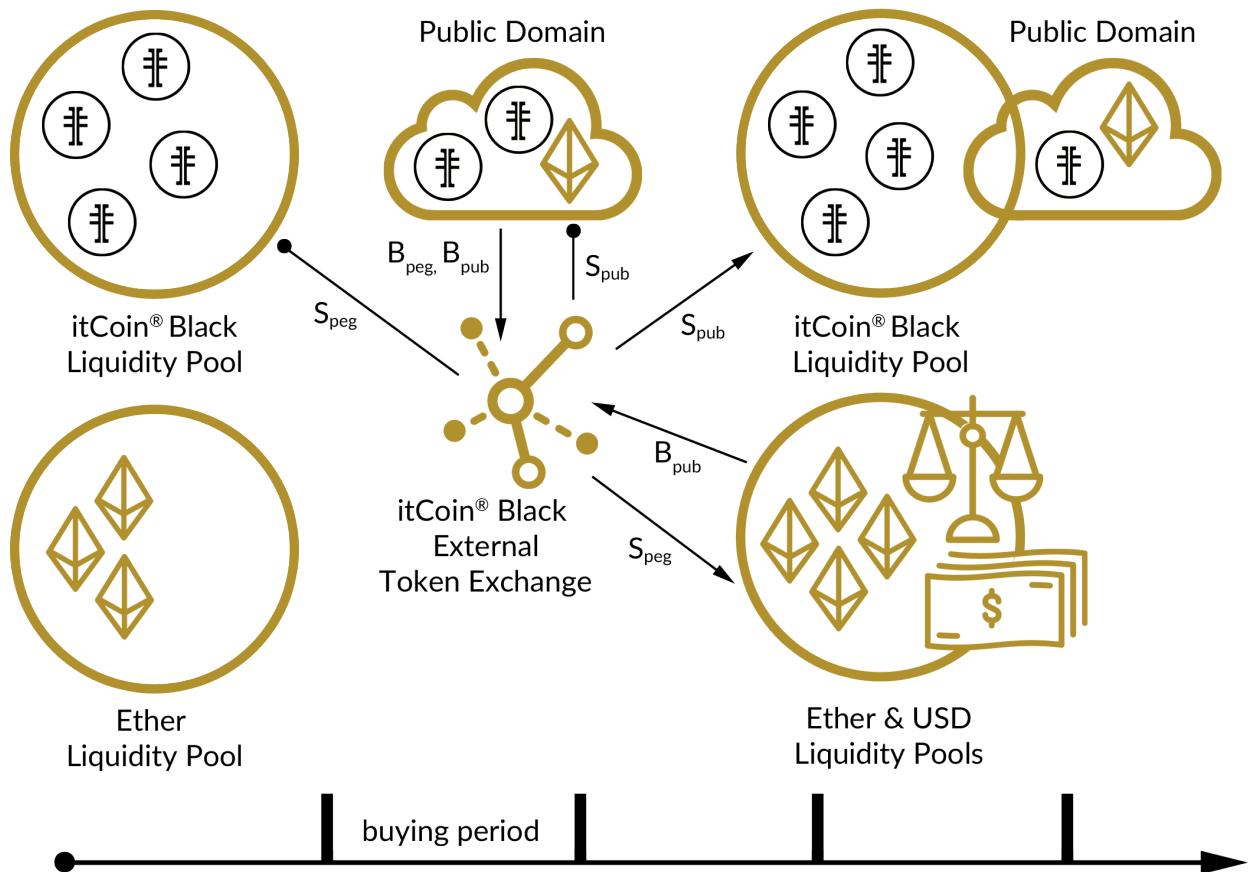
Only itCoin® Gold and Silver coins are used within the Giftz™ ecosystem, thereby providing a gating mechanism that blocks any itCoin® Black coins from entering into the Giftz™ ecosystem, as depicted in the High Level Coins Flow diagram above. Effectively, this places price sensitivity risk on the exchange from Black to Gold or Silver coins. In particular, itCoin® Black coins in the public domain may be offered at an Ether price that is lower than the Giftz sell peg price. Those offered public domain Black coins will be bought from the Giftz™ Ether liquidity pool and the difference between the higher peg price and the lower offered price represents revenue to Giftz™, since those itCoin® Black coins were sold by Giftz™ at the peg price. Large sell pressure may derive from large, negative USD price drops of Ether, in which case, the USD liquidity pool is used to buy more Ether to increase the supply of Ether from the Ether liquidity pool to finance maintenance of the USD value of itCoin® Black and the Ether price peg of itCoin® Black.

If any of these coins are bought by external buyers other than Giftz™, before Giftz™ can buy within a buying interval, those Black coins can be exchanged for itCoin® Gold and Silver coins at a favorable rate to the external buyer. However, there is no loss in covering costs for Gold and Silver use cases since the Ether behind the original sale of those coins is still in the Ether liquidity pool to cover the balance of costs, in addition to the USD liquidity pool to offset any negative effects on USD price of Ether. The itCoin® Black Issuance & Sale and itCoin® Black Market Price Peg diagrams across time shows the effects of the Ether and itCoin® Black liquidity pools, assuming a stable USD price on Ether. As mentioned before, but worth emphasizing, the USD liquidity pool mitigates lower USD price on Ether.

# itCoin® Black Issuance & Sale



# itCoin® Black Market Price Peg



$t_i = \text{time @ buying interval } i$

$$S_{\text{pub}} < S_{\text{peg}} : S_{\text{peg}} = \text{Sell @ Peg}; S_{\text{pub}} = \text{Sell} < \text{Peg} : B_{\text{peg}} = \text{Buy} @ S_{\text{peg}} : B_{\text{pub}} = \text{Buy} @ S_{\text{pub}}$$

There are several internal cost calculations that drive the baseline rates of exchange for itCoin® Gold and Silver coins. These calculations take into account the costs to support each of the use cases for itCoin® Gold and Silver coins across merchants and retail consumers. Given this, the rates will change over time, but slowly and will not be driven by downward price pressures of itCoin® Black from public markets.

## (B) Upward itCoin® Black Price Management

The risk controls enforce a peg price for itCoin® Black coins to ensure stable USD value to minimize loss across Gold and Silver coin exchanges for itCoin® Black within the Giftz™ ecosystem. However, upward price is managed as well as market demand increases for itCoin® Black. Rising itCoin® Black price is attributed to 2 main forces (1) increased demand from public perception of itCoin® Black value versus its utility and (2) dropping USD price of Ether. Any combination of both market forces, causes Giftz™ to raise the peg, thereby, creating more buys of itCoin® Black from the Ether and USD liquidity pools, as previously discussed. However, merchants and retail consumers that have bought itCoin® Black on lower prices, obviously benefit from a higher and enforced itCoin® Black market peg. Additionally, any difference in price between the previous and lower Spieg and the higher Spub amounts to revenue for Giftz™, constrained by enforcing a minimum size on the itCoin® Black liquidity pool. This continues until the price peg is raised to decrease demand. This enforces a dynamic but controlled peg price which increases by a set percent interval. This minimizes total time that market price is below the peg price. Additionally, this control is implemented via trading and monitor bots across all the public markets for itCoin® Black.

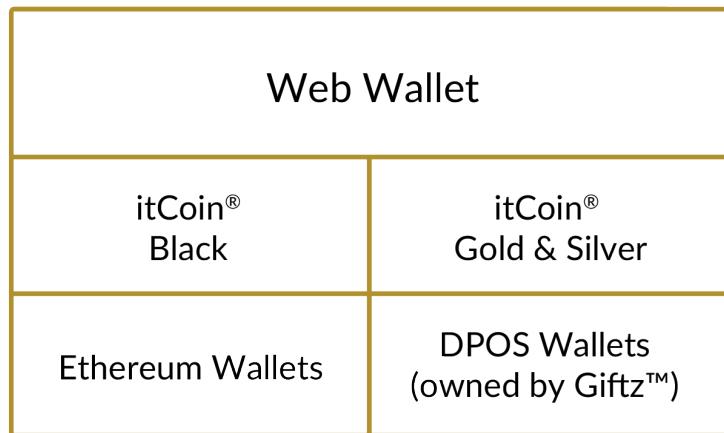
### **(C) Internal Exchange DPOS Blockchain**

Consideration on performance and cost of internal exchange and transfer transactions across the entire user base of merchants and retail consumers is a primary requirement. In light of this consideration, a DPOS blockchain that includes support either inherently or via decentralized applications of token management and exchange and which can support many thousands of confirmed transactions per second is a key part of the Giftz™ backend architecture. However, a mechanism and protocol needs to be in place to exchange ERC20

tokens to DPOS blockchain tokens. In the interim, the Giftz™ web frontend aggregates balances across applicable blockchains, creating the appearance of cross-ledger transactions. Giftz™ will leverage the Interledger Protocol or another Hash-Time-Lock-Contracts (HTLC) based tool such as XCAT to accomplish this.

The architecture diagram below depicts how the interim solution wallet architecture is stacked without the final cross-ledger solution. The web wallet simply provides an aggregate report of balances from separate blockchain queries.

## **Collateral Blockchains Giftz™ Architecture**

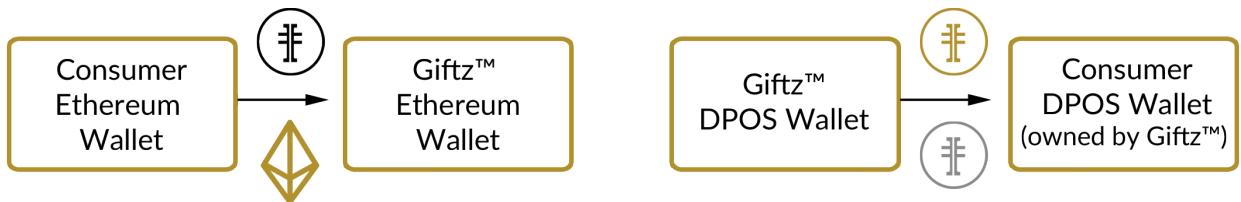


The interim, non-cross-ledger transaction diagram shows how an example exchange from the Ethereum blockchain to the DPOS blockchain will work. Note that there is an air gap between the specific blockchain wallets. In that air gap, Giftz™ will calculate the number of Gold and Silver coins to deposit to the customer's wallet and transfer those coins from the Giftz™ DPOS wallet to the consumer DPOS wallet. With the final cross-ledger solution, there is no air gap and no need to have the Giftz™ Ether and DPOS wallets involved in the transaction.

## itCoin® Black to itCoin® Gold/Silver Cross-Ledger Transaction

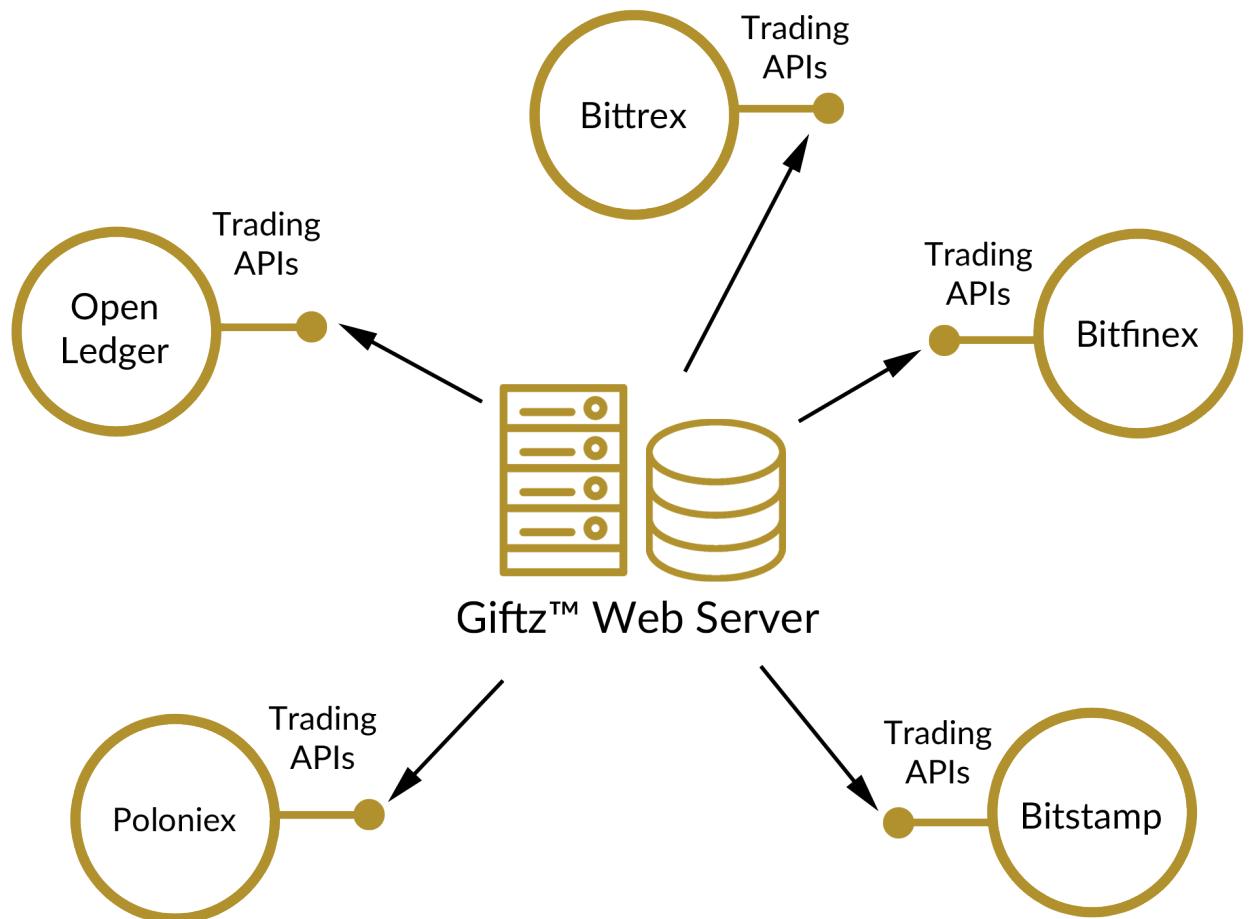


## itCoin® Black to itCoin® Transaction



### (D) Smart Black/Ether Exchange Contract and Monitor Bots

Merchants and consumers may purchase itCoin® Black coins through an Ethereum smart contract that returns itCoin® Black coins for Ether at the pegged rate (for example 3.33 itCoin® Black coins for 1 Ether, given a pegged value of \$100 USD) per itCoin® Black on the current average Ether price of \$333 USD. Additionally, itCoin® Black coins may also be bought over various crypto exchanges. For each exchange that supports itCoin® Black markets (Ether, itCoin® Black), Giftz™ runs monitoring bots to watch for any ask/sell offers of itCoin® Black that falls effectively below \$100 per coin, in our example.



**(E) Ether & USD liquidity pool to mitigate lower price pressure, balance between Ether and USD based on algorithm**

Ether and USD balance is determined by the amount of downward price pressure over public markets and relative Ether and USD prices. When price goes down, we need to buy more itCoin® Black, which means we need to spend USD to buy Ether which in turns is used to buy itCoin® Black.

**(F) Preferred customer and merchant exchange rate below peg from itCoin® Gold and Silver to Black as a value add.**

**(G) Management and ownership of all itCoin® Gold and Silver and a large percentage of Black blockchain crypto wallets**

Giftz controls all itCoin® Gold and Silver transactions and for itCoin® Black transactions, we anticipate over 90% users allowing Giftz to manage and own their Ethereum crypto wallets. This control allows Giftz to feed the price control models and liquidity pool parameters to better reflect the total volume of uncontrolled itCoin® Black tokens.

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# End Notes

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<sup>12</sup> <https://blogs.wsj.com/cio/2017/03/31/rbc-building-customer-rewards-system-on-blockchain/>

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<sup>14</sup> "Looking Ahead to 2013" by David Marcus, December 18, 2012

<sup>15</sup> <https://www.entrepreneur.com/article/247690>

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<sup>19</sup> <https://www.forbes.com/sites/niallmccarthy/2016/08/01/starbucks-holds-more-cash-than-many-banks-infographic/#4c08ac5c231a>

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