



Check 21

SERVICE

July 10, 2007



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1. INTRODUCTION

Advanced EFT Corp. (“AEFT”) announces the availability of its new AEFT 21 service for July 2007 on a worldwide basis. AEFT 21 is a check clearing service utilizing the advantages and benefits of U.S. Federal Reserve Bank’s Check 21 guidelines and infrastructures.

This document describes the features, benefits and how to get started of the new Check 21 RDC (Remote Deposit Capture) service available to AEFT distributors and client users. This service is available to AEFT’s U.S. distributors and client users as well as to AEFT distributors and client users outside of the U.S. that cash or accept high quantities of U.S. bank checks written by individual or businesses that are U.S. bank account holders.

1.1 What is Check 21?

The events of 9/11 exposed U.S. banking system’s vulnerability – the check collection system ground to a halt. The Federal Reserve Bank responded by proposing new legislation.

"Check 21" (Check Clearing for the 21st Century Act) is an U.S. federal law that became effective on October 28, 2004. It is designed to enable banks to handle more checks electronically, which should make check processing faster and more efficient.

As of mid-2007, most banks physically move original paper checks from the bank where the checks are deposited to the bank that pays them. This transportation can be inefficient and costly.

Check 21 allows for the creation of “Substitute Checks” from check images. These Substitute Checks have the same legal status as the original paper checks and are processed in the same way. Check 21 also encourages the increasing use of check Image Exchange in the check clearing process, but Image Exchange is **not** covered or required by the Act.

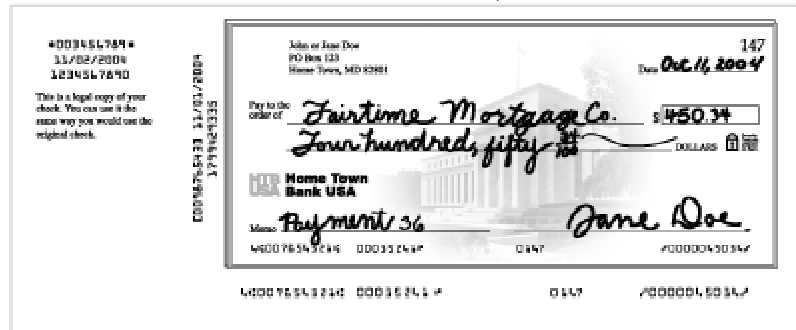
Under Check 21, all checks are eligible for replacement with Substitute Checks, for example:

- Retail Checks
- Business Checks (non-retail)
- Government Warrants
- Treasury Checks
- Money Orders
- Controlled Disbursement Checks
- Payable through Drafts

1.2 What is RDC (Remote Deposit Capture)

Under Check 21, banks can capture a picture of the front and back of the check along with the associated payment information and transmit this information electronically. If a receiving bank or its customer requires a paper check, the bank can use the electronic picture and payment information to create a paper “Substitute Check” and go through the existing clearing process. This process enables banks to reduce the cost of physically handling and transporting original paper checks, which can be very expensive. The banks are also encouraged to use check Image Exchange to further enhance the efficiency of the clearing process.

Front view of a substitute check (Source: Federal Reserve)



Back view of a substitute check - (Source: Federal Reserve)

Please note that:

- Check 21 Requires U.S. banks to accept substitute checks
- Check 21 permits any U.S. bank in the check collection process to insist on paper, in which case a substitute check would be created.
- ***Remote Deposit Capture under Check 21 is between the user organization and its bank: It doesn't require consent from the check writer,***



2. CHECK 21 BENEFITS

2.1 Check 21 Benefits to the Banking and Financial Institutions



There are approximately 42 billion checks written in the United States each year, and the average commercial check's face value is over \$1,000. Financial institutions are embracing check imaging as a way to:

- Reduce operating expenses – Costs, such as transportation costs, processing costs, infrastructure costs, hardware maintenance, supplies and labor resources, check storage expenses, and sorting time.
- Accelerate settlements and reduce check floats
- Reduce errors - A check is typically handled on an average of 19 times.
- Reduce fraud risks – That are associated with physically processing the original checks.
- Reduce research and adjustment times and efforts.

2.2 Check 21 Benefits to Businesses

With Check 21 and its associated digital image and information capturing, businesses accepting the checks or cashing the checks can enjoy the following general benefits.

- Minimized processing of paper checks – This is even before the checks get into the banking system. There would be less hassles and savings from: No more sorting of checks; adding the checks up; filling out deposit slips; deposit slip errors.



- Consolidation of bank depository accounts at different regions and savings on wire transfer fees – This is especially true for many geographically distributed company operations and financial institutions.
- No more transport of checks - No more trips to the banks, or armored car or express mail transport of the checks.
- Minimized manual entry of check data - If the businesses turn the checks into digital images and data as soon as they got the checks, then check information can enter into the accounting and receivable systems without manual entry.
- Checks get cleared and funds available faster – Typically, most funds will be **available on the next business day**. This benefit accelerates the cash flow by decreasing accounts receivables.
- Extends Business Day cutoff time to 8:00 PM U.S. EST
- Much lower incidents of “Charge Backs” - Check 21 is not governed by ACH and credit card rules. Unlike credit card and ACH, the customer must prove the charge was unauthorized by filing out an affidavit.
- Remote offices can make same-day deposits. – There is no need to wait for a batch of checks to be collected before transporting the checks for the deposits.
- Images archived on secure servers can be instantly retrieved anywhere.
- Lower deposit fees, lower return fees, and lower re-deposit fees.
- Built-in reporting options - That generally include: Consolidated deposit reports, Returns Reports and Large Items Reports.

2.3 AEFT 21 Benefits to AEFT’s Distributors

AEFT’s distributors and client users will enjoy all the benefits listed above. In particular, distributors and client users’ benefits can be more specifically listed as follows.

- On Minimized processing and transport of paper checks
This extends to not just personal checks, business checks but also Money Orders and Cashiers’ Checks acquired both in the U.S. and outside of the U.S.
- On check clearing and funds availability
*In the U.S., under this service, **funds will be available** and the checks will be totally cleared in 2 business days.*
*Outside of the U.S., the **checks will be cleared and funds will be available in 3 business days.***
- On the benefits of “Remote Offices Same-day Deposits”, “Longer Business Day Cutoff Time”, “Reporting”, “Availability of Image Archiving” and Lower Incidents of “Charge Backs”



These benefits will be the same for both U.S. and international distributors and client users of AEFT using the AEFT 21 service.

- On the check processing and clearing fees – including lower deposit fees, lower return fees, and lower re-deposit fees.

The AEFT 21 fee per check cleared is very low cost at \$0.95 per check for both the U.S. and international distributors and client users.

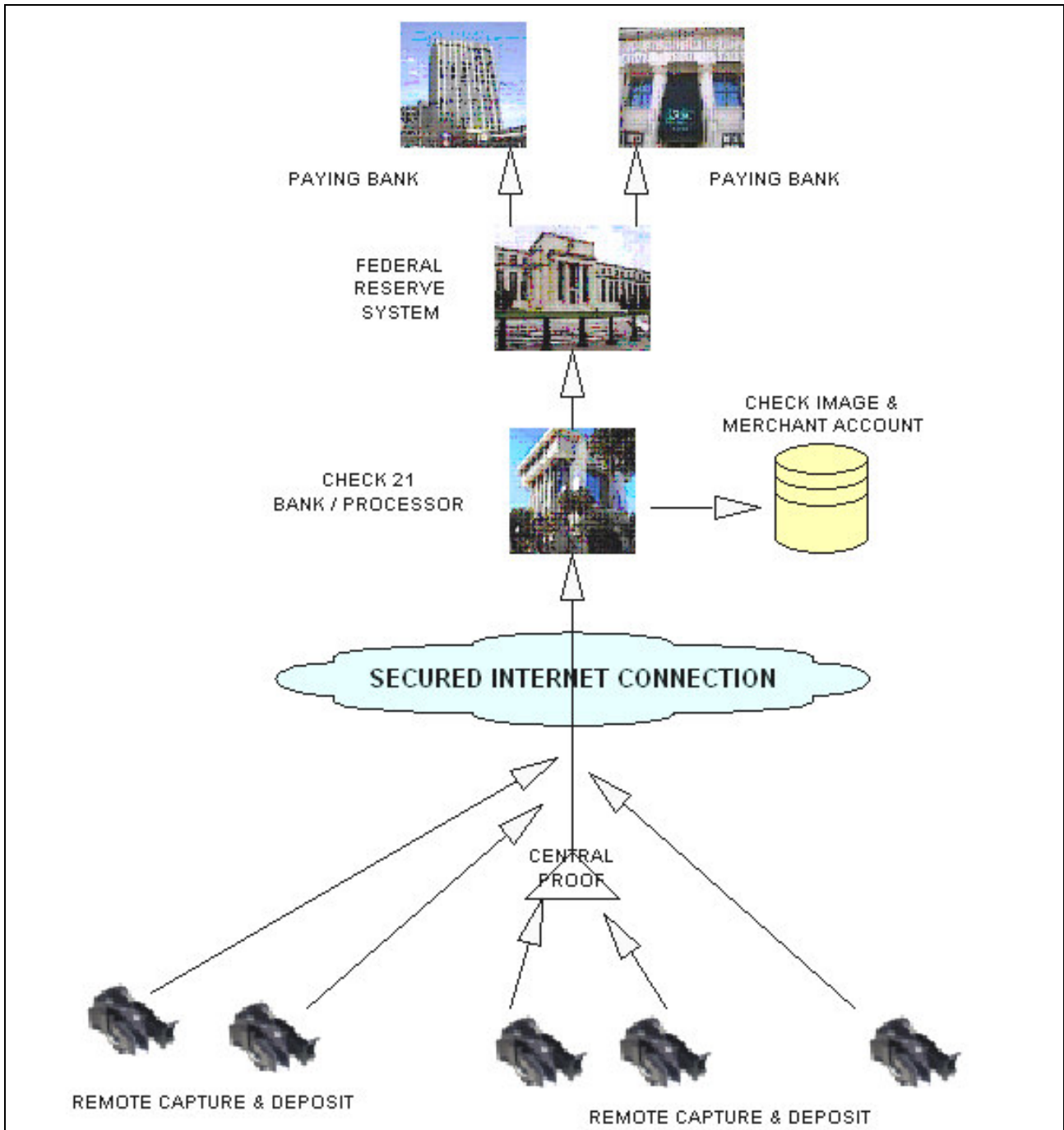
International distributors and client users of AEFT can especially justify using the AEFT 21 because of the cost saving on transportation of the checks, prevention against check losses and the rapid reduction of the check clearing time from weeks to just 3 business days.

- On distributors and client users' "Initial Investment" to offer AEFT' 21 service

Surprisingly easy to participate, the Client User's initial image scanner hardware/software investment is \$2,000 one-time plus an one-time \$2,500 Program Implementation Fee. Recurring, there is a \$40 monthly maintenance for each image capturing station.

3. CASH NOW 21 RDC IN OPERATION

The architecture is depicted as follows.





3.1 RDC Service Advantages

- The AEFT 21 RDC service is provided by AEFT through one of several U.S. “Settlement Banks” – depending on the client organization’s geographic location - as a turnkey solution. Each Settlement Bank is a multi-billion financial institution with international branches and representative offices.
- The service is equipped with hand written Courtesy Amount Recognition (CAR) and Legal Amount Recognition (LAR) on the check, allowing comparing the two and returns the correct value with a high degree of accuracy.
- Capture the front and back image of each check with one pass.
- Correct individual check amounts to ensure a balanced deposit.
- Automatically prepare your deposit and verify image quality before your transmission is sent.
- Secured Internet transmission of check deposits to the Settlement Bank in the U.S.
- Remote scanning locations locally store images for research.
- Print summary and detail deposit reports for your records.

3.2 How the Service Works

1. Your local branch or office creates an electronic deposit by scanning checks — using Settlement Bank’s software and a desktop scanner.
2. The operator balances the deposit dollar amount to the sum of the scanned checks.
3. The deposit is then electronically transmitted to the Settlement Bank through a secure Internet transfer.
4. The branch receives an acknowledgment of the deposit when received by Settlement Bank.
5. Once image quality has been verified, Settlement Bank determines the appropriate clearing channel for each check image — image presentment via Image Exchange (electronic processing), printing/sending of substitute checks or the ACH —and then assigns float and posts the deposit to your account at the Settlement Bank.
6. You retain or destroy the original checks, per your preferred process.

3.3 FAQ (Frequently Asked Questions) on Operations

What is the customer impact?

- Check return customers may receive substitute checks instead of original checks
- Image statements will contain images of substitute checks
- Return deposited items received as a substitute check can be re-deposited, cashed, or referred to maker
- Customers will not be able to obtain original checks if they have been truncated – Check 21 Act does not require original check to be retained or provided to the customer. After October 28, 2004, customers requesting original checks could receive a substitute check.

Can I export and save images?

You can export and download reports from the RDC online server. One report – the Detail Image Report – includes images embedded in the report. There is no option to export images directly from the system; however, all check images are available to customers for seven years.

How long does Settlement Bank keep deposit items available for review on RDC Online?

The deposited items on the server are kept for approximately 14 calendar days.

What scanners are supported for RDC Online*?

Digital Check TS230-100



Items and Information in RDC Online

1. Internet based (no software to maintain, updates via net)
2. Deposit ITEM threshold of 100 checks per deposit (unlimited number of deposits)



3. Additional data appended to check (100 characters, one field). Data available in export feature.
 - Image statement of deposit
 - Export deposit data (XML, Delimited files, PDF, Excel)

Will additional data be captured as part of deposit data in the archive?

The data may be exported as part of the RDC application; however, the data is not passed to the image archive.

Can multiple users access and view and/or approve deposits in RDC Online?

Yes. Implementation can setup multiple users attached to an account which all have same authority level. You could setup processes for one user to input and one user to review and submit deposit, etc. according to your workflow, however, there is currently no systematic way to control this.

Will reporting/export be consolidated to corporate headquarters vs. each location having their own export file?

There is a future release plan to have a corporate user with access to consolidated reports within a corporation.

Is there a number of accounts limit on RDC Online?

Technically, the number of accounts is unlimited.

Can users print images from the application?

There are options to print an image statement and all reports within the system.

How far back does the system check for duplicate items?

The system checks for 14 calendars days or a maximum of 50k items.

Where is the system hosted?

It is hosted in a secure location with all of our other mainframe systems.

What are the minimum requirements to use RDC Online?

To use RDC, the PC must meet the following minimum system requirements:

- An Internet broadband and or high-speed connection with Microsoft® Internet Explorer 6.0.
- Microsoft® Windows 2000 Service Pack 4 or Windows XP Service Pack 1 or 2 Operating System with 512MB RAM.



- Confirm that whoever will install your RDC software has Administrator rights to install software onto the PC.

Note: If Microsoft ActiveX application is not loaded on your PC, it will automatically download before you make your first deposit. Please ensure your Internet security settings allow the install of ActiveX controls before proceeding to the initial capture phase of Remote Deposit Capture.

Will the additional data feature have different, labeled fields?

This is planned for future release. This version of the enhancement includes one 100-character field of data that is appended to the data exported from the system.

Will RDC Online allow multiple users to have simultaneous access to the deposit so that they can work the correct feature at the same time?

No. There is no simultaneous access to the deposit. There is sequential access to the deposit. The reason for this is that there is no way to know which user's changes are "final."

What is the sequence # generated on the audit spray on the check?

Internal sequencing number sprayed on the back of checks to ensure that we don't take in duplicate files.

Do the reports include all deposits made with the software or only those within the 14-day saved deposits?

All reports can be accessed for 7 years; however, RDC only saves report data for 14 calendar days.

What data is in the email deposit confirmation?

Company name and address, deposit ID, last four digits of the account number, deposit amount, number of items in the deposit, and location.



4.0 CASH NOW 21 RDC PRICING SCHEDULE

PRICING OR FEE TYPE		U.S. BUSINESSES	NON-U.S. INSTITUTIONS
Initial Set-up			
	Program Set-up Fee (Per Institution)	\$2,500	\$2,500
	TS 230-100 Scanner and Smart Client Software per Capturing Site – Exclusive of shipping cost	\$1,200	\$1,200
	Site Set-up Support Fee	\$800	\$800
Annual Fees			
	Scanner Advanced Unit Replacement (AUR) coverage per year after the first year	\$65	\$65
Miscellaneous Costs			
	Inkjet cartridge	\$25	\$25
	Additional Cleaning Kit	\$100	\$100
Transaction Item Fee			
	Each RDC processed check	\$0.95	\$0.95

Scanner Specification:

TS 230-100 Scanner	Features & Characteristics
<ol style="list-style-type: none"> 1. Scanner packaged in over box 2. One inkjet cartridge 3. USB interface cable 4. Sample cleaning card 5. Users guide/supply order form, 6. Technical support contacts 7. Applicable warranty and AUR agreement documents 	<ul style="list-style-type: none"> • 100 Documents/minute (DPM)* • 6000 - 8000 items/day • Auto Feed Capacity: 25 checks • Weight: 4.4 Lbs. • Size: 6.6"H x 5.1"W x 8.6"L



5.0 GETTING STARTED

As noted, AEFT has different Electronic Payment System products, including Prepaid Debit Cards from several different banks in the United States and offshore. To be a user for AEFT 21, please proceed with the following steps.

1. Please give AEFT a call (858-525-5934) to make contact and to have an information gathering discussion of your needs.
2. You will then receive Application Documents from us including:
 - A Mutual NDA Agreement document to be filled out by you:
 - An Application & Due Diligence Form required by the specific bank(s), issuer(s) and in some cases, Visa or MasterCard.
3. Entering Contract Development
 - After application approval, we will send to you a Agent or Client Agreement for review and execution.