

American DebtWorks, Inc 2008 Annual Report



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MESSAGE FROM THE ACTING CEO

“Every time we’ve moved ahead in IBM, it was because someone was willing to take a chance, put his head on the block, and try something new.”

*- Thomas A. Watson -
1874 - 1956
Former President IBM*

I am pleased to inform you that I have signed a Letter of Intent with Symposia Private Equities, LLC to raise \$1,000,000 for ADW. Directors of Symposia have reviewed our business plan and have confirmed the potential of ADW through their own research of the collection industry. Symposia is located in London, England. They provided us with references and will do a site visit before the end of May. The funding will be used as shown in the Funding Requirement on page 20 of this annual report. It has taken ADW more than two years to find a venture capital company that understood our business plan and made a commitment to fund us. Under these circumstances, I believe each shareholder should review your portfolio in ADW and HealthChex and use every opportunity to increase your holdings, especially the odd lot shareholders.

The economy has had a profound effect on all small businesses in the U.S. and that includes our own company, ADW. There is a great deal of understandable anxiety among our shareholders about where ADW is headed in the near and long term. Today, ADW is faced with numerous challenges.

In June, 2008 we prepared and sent our due diligence package to a broker/dealer in Bedminster,



New Jersey requesting the broker/dealer file a 15C-211 with the NASD/FINRA to trade ADW Common Stock in the NQB–Pink Sheets. In the first week of October, 2008 after four months of waiting, the broker/dealer returned our due diligence package and informed us that based on the market crash and their own financial problems, they could not file our application for trading. Undaunted, in November, 2008 we found a second broker/dealer in Salt Lake City, Utah who agreed to file our application for trading. In the first week of February, 2009 the second broker/dealer notified us they were going out of business due to market conditions.

Throughout 2008, funding ADW has become almost a full time job for me. While the President of the Company and other management focused on operations and sales, I recognized that the proper funding represented new executive personnel; completed programs; field testing; new equipment and more. We attempted several offerings to the shareholders with little support and results. Although we have signed a Letter of Intent to be funded for \$1,000,000 there is still an immediate funding requirement and the closing for the \$1,000,000 may be six months in the future since Symposia must do its Due Diligence. We will continue to seek funding even after we have executed the recent Letter of Intent. I believe we can still launch a number of products in

advance of the intended funding. Therefore, I will continue to seek \$150,000 to \$250,000 in immediate funding.

Operating ADW has been difficult. Now, new federal laws are making it even more difficult for small businesses. Recent changes proposed by the Obama Administration in health care have now become law. On April 1, 2009, a new health care law came into effect that requires all small businesses who lay off or dismiss employees to pay one half (50%) of the employee's COBRA health care costs after leaving the company. Previous to this, an employee who was laid off or dismissed could apply for COBRA health care and retain their health care coverage personally while seeking new employment. The new law puts another burden on small businesses including ADW. One employee on COBRA will now amount to approximately \$400 per month for ADW. At present, ADW provides a Blue Cross/Blue Shield program and pays 80% of the coverage with the employee paying 20%. The new law forces us to re-examine eligibility to our health care program and the percentage of coverage we will be willing to pay in the future for our employees. Paying 50% for COBRA coverage for employees you need to lay off because your business is not doing well only serves to place greater pressure on already struggling small businesses. With the economy facing a recession; credit restrictions preventing banks from offering loans; investors unwilling to take risk and; new laws being passed that negatively impact small businesses like ADW, we must not only work harder to achieve success, but smarter.

The good news is that debt collection is a busy business all the time and in a recession, there is an abundance of business. We are focusing on increasing our basic collection business as well as completing the development of our proprietary products. In my opinion, ADW is well positioned to continue to grow through 2009 and into 2010. Management is slowly positioning the Company to lead the industry in innovation with the introduction of the products outlined in this annual report.

Historically, ADW is a check collection com-

pany. Today, we are evolving into a diversified financial services company with a foundation business in overall collections including medical, contingency accounts, service accounts and more. Every one of the products you read about in this annual report is based on an experienced foundation in the debt collection business. Our software systems have been an integral part of our debt collection business since our inception. Improvements and upgrades to our systems give us the capability of meeting our growing needs in collections for the remainder of 2009 and into 2010.

Management Restructuring at ADW

In January, 2009 I realized that if ADW was to succeed, I needed to bring in talented executive personnel to work with me to expedite our progress toward the success we all desire. In February, 2009 I hired Eric Bosak as Executive Vice President of ADW. Eric came to ADW from Bank of America where he was their Vice President of specialist trading on the floor of the New York Stock Exchange. Once he joined our team, he learned every aspect of our Company and its operations in his first few weeks. After becoming very familiar with the internal workings of ADW, he has accepted the challenge of revising operational procedures and expanding the collections of the company by bringing in new business to increase the cash flow. In the next few months I expect other executives to be joining our team until there are talented executives in every key position in ADW.

Products

There are sections in this annual report that cover each of the products of the Company in detail. The basic business of ADW is collections with a specialty in check collections. The future of ADW is in development of the products shown. The main product is the driver license software which will drive the ChekXcept ID system and the medical program to be developed in the Company's subsidiary, HealthChex Capital, Inc. Development of the driver license software has been delayed as a result of funding which has not been forthcoming. I should note however, that 80% of the software engineering is completed and the

system could be tested within 40 days of receipt of funding.

Other products of ADW are explained in this annual report as well. They include ChekCollect, SoftPledge, EZ Builder and the medical program called HealthChex/SoftBill.

HealthChex Capital, Inc.

As you know, ADW changed the name of its subsidiary from Cipher Wireless to HealthChex Capital, Inc. The Company plans to elect a new management team to operate HealthChex and develop the medical program. Recently, the ADW Board called the Class B Warrants and Class C Warrants for redemption on April 15, 2009. The exercise price was reduced to \$0.15 for both classes of warrants. If the maximum number of warrants were exercised, the Company would realize approximately \$350,000. The funds would be used to hire a new management team for HealthChex; pay the balance of our licensing fee to Legal Age, Inc.; pay the balance of our software engineering costs; purchase swipe equipment for testing; purchase a new server for backup purposes and; pay our internal IT personnel to complete development of software to interface with the driver license software and our ChekXcept ID system. The offer to exercise at \$0.15 per share for HealthChex Common Stock expires on April 15, 2009. To date, the response from our shareholders has been the same as in all the other offers we have made. The average amount of money to exercise your warrants is \$600. The average number of shares you will receive for your \$600 is approximately 4000 shares. In light of the intended funding of ADW by Symposia, shareholders should consider exercising their warrants and sending in their \$600. We've been persistent in our desire to make ADW successful. I believe our shareholders should be persistent in their support of our company. You receive regular updates on ADW even though we are still a private company. It is only a matter of time before we realize our goals.

Filing for Trading

Many of our shareholders have continued to pres-

sure management to get ADW trading. As previously stated herein, our attempts to get the common stock trading only resulted in a loss of money and time for us. I have made a decision to put all attempts to trade our common stock on hold temporarily until we have improved the cash flow of ADW and launched some of our products. In addition, the proposed funding by Symposia will help to increase the value of ADW and make a filing as a public company easier. I believe we will file for the trading of ADW after we receive the proposed funding we require and launch a number of the products described in this annual report.

HealthChex Licensing Agreement

HealthChex became the recipient of a licensing agreement with ADW to develop the medical program. This also places HealthChex in a position to file for trading as a separate entity. In the event we obtain a significant exercise of the HealthChex warrants, I believe we could be testing the medical program in 30 to 40 days and roll the program out in 90 days. Once this occurs, it would follow that HealthChex may be the first company to be publicly traded. However, this depends on the response from the shareholders in exercising their warrants. The Company needs funding to accomplish its goals. Without it, you should expect further delays.

Financial Results

This annual report contains the unaudited financial statements of the Company for the year ending December 31, 2008. For the year ending December 31, 2008 revenue increased by 18.8% to \$421,280. Collections, however, totaled \$240,050 as compared to \$354,480 for the same period in 2007. This decline is a result of a restructuring of the collections department in July, 2008. Prior to July 1, 2008 collectors were paid by the hour. In July, 2008 we decided to gamble on a bold idea and we eliminated all the hourly collector positions. The hourly collectors were replaced by new collectors receiving a stipend of \$100 per week and commission on all accounts they collected. Although we lost approximately 60 days in the restructuring process; the result is management is

now able to have performance accountability from each collector. Our in-house software was up-graded to allow management to track the performance of each collector and watch for procedural problems and declines in production. This is an ability management did not have with the hourly collectors. We currently have five (5) commission collectors. By restructuring the collections department, we were able to reduce wages for 2008 significantly as a result. Wages for the period ending December 31, 2008 were \$176,657 as compared to \$218,032 for the same period in 2007, a decline of 18.9% for 2008.

ADW also realized \$177,367 in capital gains from the sale of HCI stock. Other than a small number of shares of HCI held by our shareholders, ADW held the remaining 79% HCI shares outstanding. As buyers for HCI purchased shares in 2008, subscription proceeds received by ADW for HCI shares were deposited into a capital gains account for ADW and shown on our income statement.

I expect ADW will continue to show growth over the next five years. Our new annual report format will provide you with an in-depth look at your company each year and; every six (6) months we will continue to publish our Paid In Full newsletter along with a semi-annual report to the shareholders designed around our annual report format. I look forward to updating you with all the latest news as it develops.

Thank you.

Louis Perosi, Jr.



Acting CEO



Eric Bosak—Executive Vice President



Nick DiFrancisco—IT Director



Barbara Jurczyk—Administrative Assistant

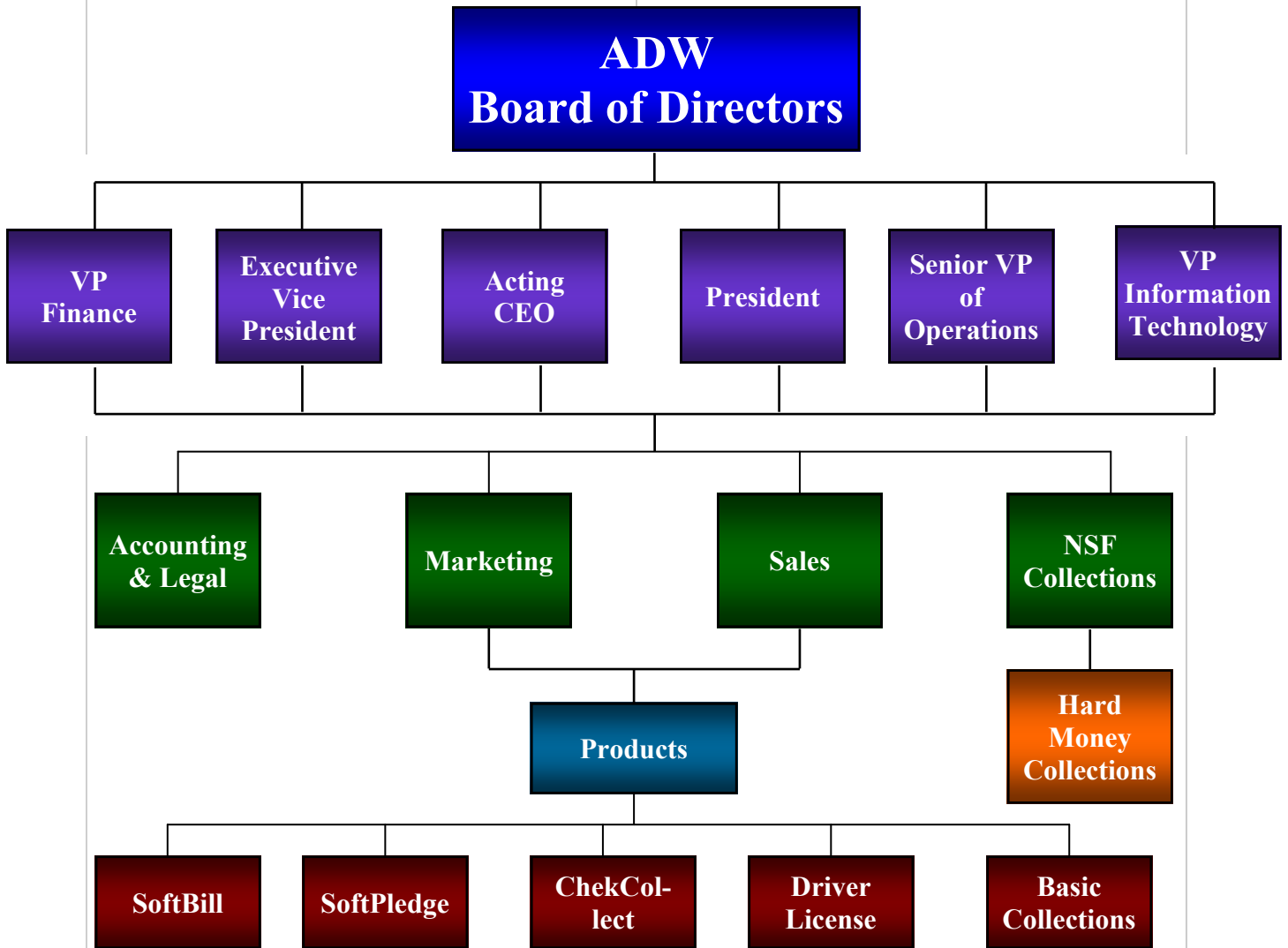
AMERICAN DEBTWORKS, INC. ORGANIZATIONAL PROFILE

Overview

ADW was incorporated on February 16, 2000 and began business as a check collection company. Our initial vision was to grow regionally but it wasn't long before we began to understand the competition and how things really worked in the collection industry. From 2005 to 2007 we became familiar with the manner in which the collection industry functions and we began to ask

questions that ultimately led us to where we are today. We believe our plans and programs will revolutionize the collection industry.

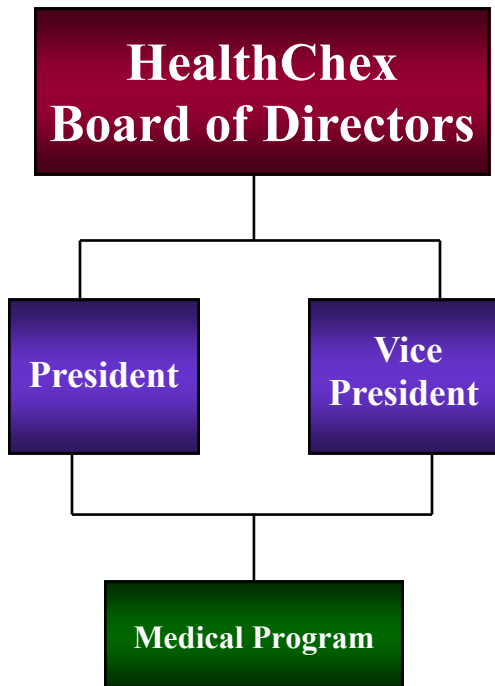
Currently, ADW is poised to launch some of its programs and is close to completion on others. The Company operates from one facility and is considering a limited expansion of facilities into certain southern states. We employ 11 employees and have 650 shareholders. Our collection departments consisting of NSF and Hard Money are both located in our Stroudsburg facility comprised of a total of 3,500 square feet on two floors. All policy formulation, program management, program development, marketing and customer service is also conducted at our Stroudsburg, PA facility.



Primary Responsibilities

The primary responsibility of management is to increase operational efficiency; manage current collection accounts; attract new business and; safeguard the Company from any legal matter

arising from a violation of the Fair Debt Collection Practices Act. The primary function of the Board of Directors is to oversee the management team and insure the continued building of share value for the shareholders.



VISION:

To develop unique and innovative products in the management of debt and fraud.

MISSION:

To introduce the most innovative and unique anti-fraud products and their residuals while increasing the asset value and share value of our Company.

TO OUR SHAREHOLDERS AND EMPLOYEES

American DebtWorks, Inc. (“ADW”) is accountable to our shareholders because in everything we do; we have a fiduciary responsibility to build value into our Company

I am pleased to present to you our new annual report format. Our annual report has been designed to demonstrate to you, our shareholders, and all other interested parties, we are a serious contender in our industry and we are making strides to capture a significant share of the market. Our new annual report format provides the reader with a business and financial transparency you DO NOT GET in most publicly traded OTC companies.

We recognize that first and foremost, we are a family of shareholders represented by a committed team of managers who know all too well their responsibility to you. From this point on, ADW will provide our shareholders with not only a semi-annual newsletter but a full semi-annual financial and business overview.

For 2008, if we were a public company, this annual report would rank high among the annual reports of thousands of other OTC companies.

As a collections company, we are required to comply with the rules and regulations of the Fair Debt Collection Practices Act, The Fair Credit Reporting Act, The Privacy Act and other such legislation including state legislation. We are also required to be licensed in every state we do business in. We are also committed to an in-house training program for our employees in the art of confidential debtor information.



Our revenue comes from the services and products we offer. Our products and services are unique and innovative with a view to having the utmost quality, reliability and backed by a determination for customer service.

You should expect your management team to strive for a level of professionalism that not only attracts new business but builds relationships with existing customers. For 2008, ADW realized a total income from all sources of \$421,280 as compared to \$354,691 for the same period ending December 31, 2007. Total revenue increased by 18.8%.

We expect sales to increase in 2008 through the launch of several programs at ADW. These programs include the medical billing system at HealthChex Capital, our subsidiary; the driver license software which should be tested by July 1, 2009 and the ChekCollect bank program, which will be introduced by July 1, 2009. In addition, we are working to launch several other programs and increase our basic collection business. Recently, we have explored the possibility of opening satellite offices in southern states where check usage continues to out pace northern states.

We also want to be sure to report to you all the news and not just the good news like many small

companies might do. When all the information is provided to our shareholders, they have a better understanding of how current events are impacting the outcome of our plans and goals.

I don't have to tell you about the stock market, the fact there is no money to lend from banks and I certainly don't have to defend ADW when we consider how the current economic crises has affected our application to be a publicly traded company. It is true, we have a funding requirement and we are still seeking an angel investor or venture capital company.

We continue to move forward even while we search for the funding because we need to accomplish our goals. However, without adequate financing, we find our time tables for launching our products continue to be delayed.

I want all our shareholders to know we will continue to do our best. Even when we fall short of our own expectations, we will disclose it to you in our new disclosure format of semi-annual and annual reporting. Of course, if someone gave us \$1,000,000, you would not have to wait six months for us to tell you. We would notify you immediately.

Business as usual and average results are no longer enough here at ADW. I am determined that 2009 will be a statement year for ADW and the beginning of a long term, positive impact on share value.

This annual report will provide you with a complete inside look at ADW with information on every one of our products and services we offer in detail. I know there is plenty of room for growth and organizational improvement here at ADW.

I am determined to achieve a better operating efficiency and better results for 2009. Business as usual and average results are no longer enough here at ADW. We want, and will be, a premier collections and financial database management company whose service to our customers and shareholders will be characterized by excellence. I and my staff are committed to nothing less.

I thank you for giving me the opportunity to continue to serve as your President and I am determined that 2009 will be a statement year for ADW and the beginning of a long term, positive impact on share value. Thank you.



Glenetta F. Perosi

President

EXCLUSIVE BRAND IDENTITY

American DebtWorks, Inc. is establishing a brand name for itself among the products it is introducing starting with the name **ChekXcept**

Recognition of our products and services is beginning to get the attention of the general public and retailers as we begin to introduce our programs. We believe ADW should be distinguished for the following: accountability, integrity, innovation, customer service, client relationship and overall excellence in the performance of its operations.

Current Status of Brand Names – In FY 2008, we created several brand names and developed the underlying technology. The objective of this effort was to establish ADW as a front runner in certain unique business opportunities identified by management.

Some of the key components of this objective are as follows:

- Increasing the general public's recognition of ADW as the originator of unique financial programs.
- Reinforcing the distinctiveness, individuality and effectiveness of the ADW product line.

- Diminishing the public's likelihood of confusion and mistake regarding the practical application of each ADW product.
- Promoting the reputation, goodwill, confidence and quality associated with ADW

Customer Satisfaction – The foundation of a trusted and highly recognized brand is superior quality and excellent service. Our present level of responsive customer service has been critical in ADW retaining its current customers and attracting new customers. It has been the core to our growth pattern over the last 5 years and will remain an important ingredient in our future success.

Our current trademarked brand names are as follows:

- ChekXcept
- ChekCollect
- SoftBill
- SoftPledge
- American DebtWorks
- HealthChex

Focusing on a marketing and branding program based on the reliability and experience of ADW will most effectively enhance public recognition and perception of our products and services.

Initial branding programs for ADW are driving current and future initiatives to build a strong ADW identity. As these initiatives are implemented, ADW will conduct on-going surveys to refine and evaluate the impact of our marketing and branding programs on the public's awareness and perception of ADW.

BASIC COLLECTIONS

PRODUCTS

CHECK COLLECTIONS

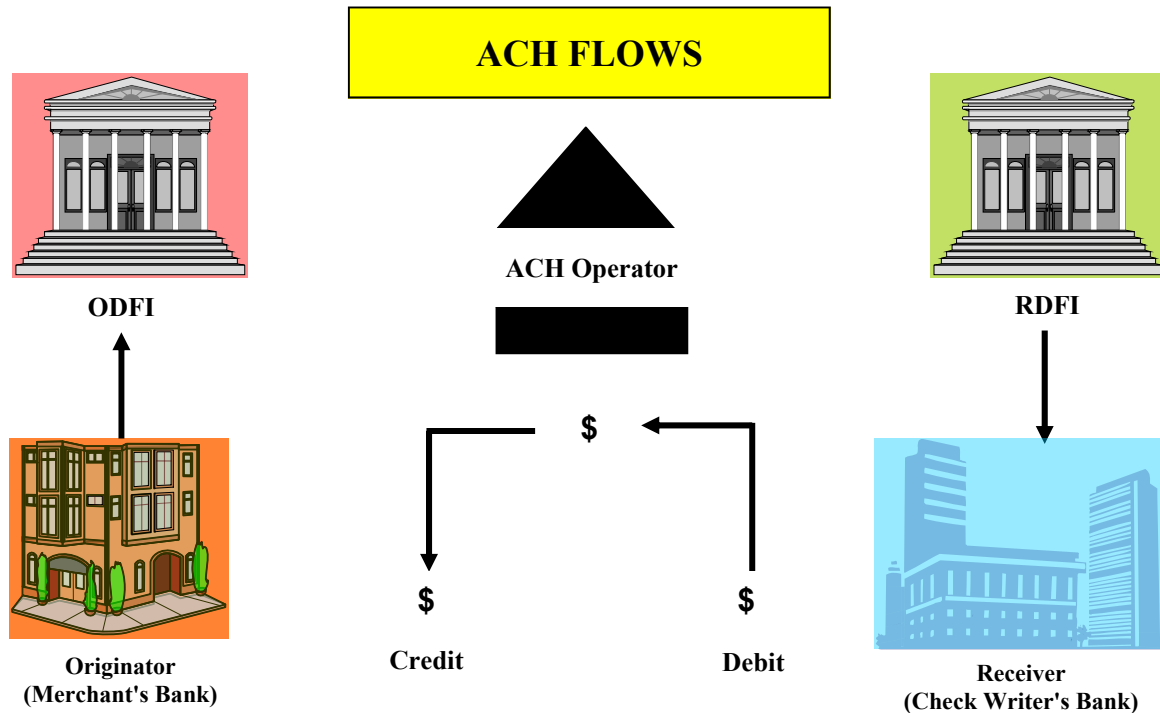
ADW is currently licensed to process returned checks through the Automated Clearing House (“ACH”), the bank clearing house for 33,000 U.S. Banks. The ACH Network is a processing and delivery system that provides for the distribution and settlement of electronic credits and debits among financial institutions. Through a nationwide communications network, each ACH operator is able to quickly and efficiently communicate financial debit and credit information with other ACH operators. An operator is either a Federal Reserve Bank or a private entity that through express agreement with National Automated Clearing House Association (“NACHA”), agrees to

perform ACH transfer services in compliance with NACHA Rules and applicable laws. For a small fee per transaction, the operator transfers funds between accounts.

The ACH Network is composed of financial institutions which either send or receive checking account based transactions for debit or payment. It allows checks to be paid electronically, rather than by traditional physical means. There are typically five participants in an ACH Transaction:

1. the Merchant's Bank (Originator),
2. the Originating Depository Financial Institution (ODFI),
3. the ACH Operator,
4. the Receiving Depository Financial Institution (RDFI),
5. the Check Writer's Bank (Receiver).

Below is a diagram of relationship between the participants of an ACH Transaction:



The Company operates under the dba ChekXcept to provide collection services for returned checks received by a merchant's bank.

NSF Collections

The NSF checks are sent to the Company by the merchant's bank and uploaded by ADW through the Internet into the ACH system. Once entered into the ACH system, the software automatically searches the ACH network for the issuing bank and account of the check writer. When located, the software will represent the check electronically for collection and sweep the face amount of the check from the check writers' account plus a state allowable collection fee ("Service Fee"). Unlike the recipient's bank, ADW can represent the NSF check two times for collection. Typically, a bank will only represent an NSF item one time. After being collected, the face amount of the check plus a Service Fee is electronically transferred into an ADW Trust account. Once cleared, the face amount, less the Service Fee, is sent to the merchant client of the Company.

The check representment program offered by ADW requires the merchant client to enter into a contract with ADW which states that all NSF checks returned to the merchant client's bank must not be redeposited by the bank but sent to the Company's processing center in Stroudsburg, Pennsylvania for electronic processing. Once a contract is executed, the Company posts legal notices in the merchant client's location informing customers that the store location has subscribed to the new program and all NSF checks will be collected electronically and the Service Fee will also be debited from the check writer's account. There are no charges to the merchant client by ADW and the merchant client does not pay any costs. Highlights of the ADW's NSF program are:

- *Up to 89% recovery rate on NSF checks.*
- *Merchant receives 100% of the face value of the NSF check.*
- *Recovered funds are paid monthly.*
- *No additional redeposit or returned check fees can be charged the merchant by the merchant's bank.*

- *No monthly minimums or maintenance fees.*
- *No more equipment costs.*
- *Customers benefit because bouncing a check is an embarrassing thing no one likes to handle.*
- *Paper checks through a bank may be re-presented a total of one time. Electronic re-resentation of checks can be made two times.*
- *Banks charge NSF return fees of \$5 - \$20 per returned paper check. There are no return fees for ACH electronic returns, only minimal electronic transaction fees.*
- *Faster check recovery re-establishes the NSF check writer as a customer, allowing purchasing to resume for merchant client.*

Of all the checks received for processing by ADW approximately 71% are NSF checks. When a NSF check is received, ADW must then notify the check writer in writing of receipt of the dishonored check and provide 10 days notice of ADW's intention to collect the check plus the Service Fee electronically. The check writer may honor the returned check item by sending a money order or cashier's check to ADW in an amount equal to the face of the check plus the Service Fee. Fees differ by state however ADW charges approximately \$30 per check as a Service Fee except when limited by state law. If the check writer does not respond to the 10 day notice, ADW will verify funds availability by contacting the check writer's bank. If the funds are available, the paper check is converted into an electronic debit ("RCK"), and uploaded through the Internet into the ACH system. Once entered into the ACH system, the RCK debit transaction automatically searches the ACH network for the issuing bank and account of the check writer. Upon locating the check writer's account, the RCK order will electronically represent the check for collection. The face amount of the check plus a Service Fee will then be electronically debited and transferred into the Company's account. Based on the contractual agreement between the merchant and ADW, a portion of the Service Fee received by the Company may be paid to the merchant to offset the returned check charges by the merchant's bank. The average amount paid to any merchant by the Company for bank fee reim-

bursement is \$5.00 per check. The NSF department attempts to collect NSF checks for a maximum period of 45 days. The Company has historical collection rates of 56% of all NSF checks it processes. The uncollected NSF checks are sent to ADW's Hard Money Department.

“88% of the population has a valid checking account”.

NSF Costs

The Company is charged \$0.30 for each NSF electronic debit transaction entered into the ACH system, ("export") and \$0.30 for each electronic debit and credit transaction returned to the Company's account, ("import"). The returned charge is consistent whether the face of the check and fee are collected or not. The Company estimates the average cost of entering and receiving electronic debit and credit items via the ACH network is \$0.60 plus labor costs. Checks are scanned into the system. Therefore, the labor cost of handling a check is minimal. The Company estimates the average cost of NSF collection is approximately \$2.00 per check which includes \$0.60 for import and export, \$0.15 for additional import and export on 20% of the NSF checks, \$0.37 for mail notification and approximately \$0.85 for handling. NSF revenue is derived from the Service Fee per check charged to the check writer. Average gross income from a \$30 state allowable service fee after deducting the above costs, but before operational expenses, is approximately \$28 per NSF check.

“83% of the population uses checks for shopping”.

Hard Money Collection

The Hard Money Department (“HMD”) receives checks uncollected by the NSF department and checks other than NSF such as: Account Closed, Stop Payment, Refer to Maker, Fraudulent, No Account Found, WIC (Welfare Income Checks), Stolen and Payroll. HMD operates as a traditional collection agency utilizing telephone and mailing techniques to contact check writers.

Immediately upon receipt of a returned check item by HMD, the check writer is entered into a

proprietary software system called DebtMaster and a first telephone call is attempted and a first contact letter is sent. This is followed by a series of other letters and telephone calls, each one indicating the seriousness of failing to make good on the bad check. In certain states, a threshold of \$200 represents a criminal violation and this information is also relayed to the check writer if the unpaid check item exceeds the threshold.

If the check writer cannot be located through information provided by the merchant client or found on the check itself, the Company will conduct a skip trace of the check writer to ascertain the latest mailing information and telephone number. The Company will also use the driver's license number and request a DOT search of the check writer to obtain this information. The Company may also use courier letters and certified mail to contact the check writer.

Once the check writer is contacted, HMD negotiates the resolution of the unpaid check item plus the Service Fee. This is where the Company has established itself as unique in its collection process. Unlike other collection agencies, the Company will establish a repayment plan that the check writer can meet. Payment plans for checks under \$50 have resulted in higher collection percentages for merchant clients. The Company will not negotiate any program over six months. If payment can be made in full at the time of contact with the check writer, the Company will seek to accomplish this. If not, the Company will set up a payment program. HMD will work a bad check account for a total of 365 days. Collection results vary.

DebtMaster allows the Company's collectors to input 150 separate information fields in each check writer's record along with comments, 36 letter output formats, lookups and queries. This proprietary software allows the Company greater flexibility in locating and managing the receivable files. It also allows for customizing of reports for merchant clients and internal reports for executives of the Company.

Hard Money Costs

The Company combines telemarketing and direct mail to contact the check writer in HMD. The cost associated with check recovery in Hard Money is a factor of mail cost, telephone charges and labor. A maximum of five letters may be sent to the check writer, each costing \$0.42 for a total \$2.10. Telephone charges at \$0.05 per minute are approximately \$0.50 per check. Finally, labor costs include employee time in handling the telephone call or mail and; setting up a payment plan with the check writer once contacted. The Company estimates an employee will spend no more than an average of 25 minutes in the collection of a HDM account over a 6 month period. Payroll costs are estimated at \$5.22 plus the other costs stated above for a total \$7.82. HMD receives 25% of the face amount of the check plus a Service Fee for collection.

State Fees

Traditionally, when a check is dishonored, collectors look to a state's "bad check laws" to determine if additional fees can be collected and in what amounts. Most states have statutes providing for the addition of a specific service fee after giving notice to the bad check writer. The collector provides the notice by sending a collection letter to the debtor stating that the check was dishonored, usually due to insufficient funds. Depending on the state's law, the face amount of the check is requested along with the state-mandated service fee. The debtor can then pay the requested amount or not. If not, state law generally provides additional remedies such as a civil lawsuit against the debtor. The following list provides the fee set by statute in each state.

STATE RETURNED CHECK FEES

Alabama	\$30.00
Alaska	\$25.00
Arizona	\$25.00
Arkansas	\$25.00
California	\$25.00
Colorado	\$25.00
Connecticut	\$20.00
Delaware	Undetermined*

District of Columbia	\$15.00
Florida	\$25.00
Georgia	\$25.00
Hawaii	\$20.00
Idaho	\$20.00
Illinois	\$25.00
Indiana	\$20.00
Iowa	\$20.00
Kansas	\$30.00
Kentucky	\$25.00
Louisiana	\$25.00
Maine	Undetermined*
Maryland	\$35.00
Massachusetts	Undetermined*
Michigan	\$25.00
Minnesota	\$30.00
Mississippi	\$30.00
Missouri	\$20.00
Montana	\$30.00
Nebraska	Undetermined*
Nevada	\$25.00
New Hampshire	\$25.00
New Jersey	Undetermined*
New Mexico	Undetermined*
New York	\$20.00
North Carolina	\$25.00
North Dakota	\$25.00
Ohio	\$30.00
Oklahoma	Undetermined*
Oregon	\$25.00
Pennsylvania	\$30.00
Rhode Island	\$25.00
South Carolina	\$25.00
South Dakota	\$30.00
Tennessee	\$20.00
Texas	\$25.00
Utah	\$20.00
Vermont	Undetermined*
Virginia	\$25.00
Washington	\$40.00
West Virginia	\$15.00
Wisconsin	Reasonable cost & expense
Wyoming	\$30.00

*Undetermined means that a specific service charge has not been set by state statute.

“53% of retailers are reporting continued check growth”.

Once an account has been negotiated for payment by HMD, ADW representatives supervise that payment plan and establish a clear line of communication with the debtor in the event the payment promise is not fulfilled. ADW also maintains Trust Accounts which contain payments received by check writers. Once each month, ADW reconciles all merchant accounts and sends each merchant client a Trust Accounting

Report and a Payments Report along with a check for the amount payable. An example of a Trust Accounting Report is shown below.

**TRUST ACCOUNTING REPORT FOR
DOGS & CATS VETERINARY HOSPITAL
PERIOD JANUARY 1, 2003 TO JANUARY 31, 2003**

The following payments were received for your account for the month of January 2003 from check writers making payments against balances due. These balances are being held in trust for you until the check writer pays the amount due in full. At that time, a Paid in Full Report will be sent to you, less the deductions shown. Please notify your bookkeeping department or accountant that the amounts shown in this report are payables due your company by our collection agency.

DEDUCTIONS

Store Location	Customer Name	Cust. Check No.	Date of Customer Check	Amt. of Customer Check	Collection Charge Per Check	Total Due From Cust. Face Plus Fee	Customer Paid To Date	Customer Paid This Report	Cif Mail & DOT Charge	Deduct 25% of Face	Collection Fee Charge	Other Credits	NET AMT HELD IN TRUST	Balance Due From Customer This Check
Bergenville	Smith, J.	111	04/03/02	\$589.40	\$25.00	\$614.40	\$402.40	\$50.00		\$94.35	\$25.00	\$5.00	\$288.05	\$212.00
Bergenville	Jones, S.	224	05/03/02	\$136.73	\$25.00	\$161.73	\$60.00	430.00	\$4.42	\$8.75	\$25.00	\$5.00	\$26.83	\$101.73
Bergenville	Mo, L.	377	06/25/02	\$98.97	\$25.00	\$123.97	\$50.00	\$0		\$6.25	\$25.00	\$5.00	\$23.75	\$73.97
TOTALS				\$825.10	\$75.00	\$900.10	\$512.40	\$80.00	\$4.42	\$109.35	\$75.00	15.00	\$338.63	\$387.70

The Trust funds will be released to you as each customer check is paid in full. Check writers appearing on a Trust Report represent individuals who are making payments against outstanding balances and are being supervised by our office. Once a check writer pays a check in full, the Net Amount Held in Trust is distributed to your company along with a Payments Report. All collection fees and other charges are deducted from the Net Amount Held In Trust. If you have any questions, please do not hesitate to call. Thank you

All amounts received by ADW are paid to merchant clients less the deductions of the following fees: skip tracing, DOT searches, certified mail, processing fees and 25% of the face of the check. ADW pays the net amount to merchant clients for paid in full items only. The only exception to this would be in the event of the death of the check writer or in the event the check writer did not fulfill the payment promise and efforts to have the

payment plan completed by ADW failed. In these instances, ADW would pay the amount held in Trust to the merchant client, less the deductions stated above. In each case, ADW receives a Service Fee which is paid by the check writer. Along with the Trust Accounting Report, the Company also provides the merchant with a Paid In Full Report, an example of which is shown below.

**JOHN'S SUPERMARKETS PAID IN FULL REPORT
DISTRIBUTION OF TRUST FUNDS
PERIOD 11/01/02 TO 01/31/03**

The following outstanding checks have been paid in full by the check writers listed below. The amount being disbursed to you is the total of all *Paid In Full* items shown in Net Amount Held In Trust column of your **Trust Accounting Report**. For an explanation of the fees and other charges deducted from the amount payable to you, please refer to your Trust Accounting Report for this period.

Name	Check No.	Date of Check	Original Amount Of Check	Store Location	Net Amount Paid This Check
Smith, J.	2342	08/03/02	\$90.99	Bergenville	\$75.24
Jones, S.	2438	08/02/02	\$30.62	Bergenville	\$29.96
Mo, L.	145	01/02/02	\$125.00	Bergenville	\$100.75
Zamu, A.	536	01/10/03	\$132.55	Foxville	\$106.41

TOTAL PAYABLE THIS REPORT

\$312.36

We enclose our check in the amount of \$312.36 re-presenting the checks paid in full for the period 11/01/02 to 01/31/03. According to our agreement, we have returned the original check(s) to the check writer, marked the account **paid in full** and have filed each customer record in our "**Paid In full**" archives which are maintained for seven years by law. If you have any questions, please do not hesitate to call. Thank you.

Upon receiving payment in full from a check writer, the original check is returned to the check writer and ADW notifies the merchant client so the check writer is taken off the bad check list at the retail location. The file is then archived for a period of seven years by law. HMD has historical collection rates of 32% of all returned checks received by this department.

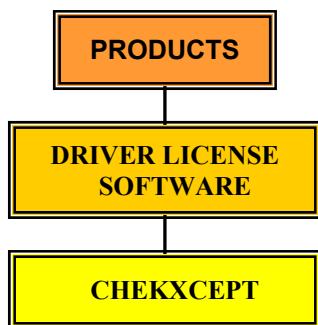
Legal

Once a check writer refuses to pay, and assuming the account has been worked for 365 days, ADW will close the account in house and return it to the merchant client for court action

Costs Associated with Hard Money Check Recovery

Maximum postage (5 letters)	\$2.10
Telephone Charges per Check	\$0.50
Payroll cost per collected item	\$5.22
Total Estimated Cost of HMD Check	\$7.82

CHEKXCEPT/DRIVER LICENSE SOFTWARE



The Company has developed a point of sale anti-fraud system using a consumer's driver license. The new software system is called the ChekXcept™ Identification System, ("CID"). The CID system is a pro-active approach to check writing that requires the check writer to be pre-registered to use any state driver license or state ID ("driver license") as identification when writing a check at a point of sale for the payment of goods or services. The CID system also allows the driver license to be linked directly to the consumer's checking account thereby offering a true, paperless check transaction called a DOT.check. The DOT.check does not act like a debit card because it actually uses the same float time to clear as a paper check. The Company has filed for patent protection on the CID system and trademark protection on the use of the term DOT.check.

The CID system is a membership program where check writers must apply for registration by completing an application. Once the application information is verified, the check writer's registration becomes effective. Check writers pay \$0.42 per month for continued registration in the CID system. Registrants use their driver license or a state issued identification card at the point of sale in all participating merchant locations for identification when writing a check. Merchants must sign a collection agreement with ADW to participate in the CID system. In the event any check is returned unpaid, ADW will collect that check and charge a collection fee. There is also a swipe fee of \$0.20 per driver license or ¼ of 1% of the transaction total, not to exceed \$.50, whichever is greater.

This amount is charged to the merchant under the same collection agreement. In addition, there is a \$.50 charge to the consumer for writing a DOT.check. The benefits of the program are: (1) virtually eliminates check fraud, (2) the program works using VeriFone swipe devices, many of which are already in place at most point of sale locations, (3) the pre-registration of the check writer allows ADW to know the customer before the check is written, (4) the system allows for a creative new concept called a DOT.check and, (5) the CID system is easily installed and affordable to the merchant, (5) the system sets limits on the total number of check dollars (Aggregate Daily Check Writing Limit) a registrant can write in a 24 hour period based on the registrants check score and, (6) the system monitors unusual activity by the check writer and will flag an account who appears to be writing checks indiscriminately during a 24 hour period.

Size of Market Served - The population of the United States is approximately 320,000,000 people. Of this, 40% use a check to buy weekly groceries according to a study done in 2007 by the U.S. Federal Reserve. That's 128,000,000 people each week buying groceries with a check. Rumor of the check's death in the U.S. have been greatly exaggerated and are a "fictional account" of changing payment choices as told by banks and government agencies. In fact, although electronic payments in the U.S. are rising, according to the Federal Reserve Board's 2007 Retail Payments Research Project, nearly \$40 trillion travels through the monetary system by checks as compared to only \$7.3 trillion from all other electronic payment systems.

Each CID registrant is responsible for updating their profile either on-line or by contacting ADW by telephone whenever their contact information changes. ADW plans to conduct random searches of its database monthly and any profile found to be incorrect results in the check writing privileges of that member being suspended at all participating stores until the registration information is updated. The methodology to obtain and

store check writer information before the merchant accepts a check from a check writer is unique.

The Company has filed for patent protection on the ChekXcept™ Identification System, (“CID”) and trademark protection on the term DOT.check. The pro-active, registration system is the first of its kind and the Company believes the concept will be widely accepted.

The CID system requires a merchant to become a participating member by signing a three year, renewable collection contract with ADW. Merchants having point of sale swipe equipment in place can have the CID software downloaded onto the existing equipment. In the event a merchant requires equipment, ADW can sell and install that equipment. The cost of such equipment is approximately \$500 per cash register. ADW can purchase this equipment for approximately \$350. In addition, the merchant will also pay \$0.20 per driver license swipe or ¼ of 1% of the transaction total, whichever is greater, not to exceed \$0.50 per transaction.

Check Writer Score

Each new registrant is given a check writer score of 200. This score is a barometer of risk which has been developed by ADW. It is a measure of risk based on the check writing practices of the check writer and the changes in the check writer’s contact information on an annual basis. Each check writer determines what happens to their starting score as follows:

<u>Consumer Action</u>	<u>Score Adjustment</u>
• Bounce a check	-50
• Change Address	-25
• Change Phone Number	-10
• Change any other Contact Info	-10
• Update Profile Voluntarily	+15
• Pay a Bounced Check	+10
• Contact Information Remains Unchanged During Annual Membership Period	+50
• No Bounced Checks During Annual Membership Term	+50

The maximum score a registrant can obtain is 1000. In addition, the CID software will provide for two important safety features that are directly linked to the check writer score. These features include a daily check writing limit determined by the check writer score and a fail safe measure to recognize a pattern of repeat check writing within a 24 hour period.



MariLou Long — Hard Money Collections Team Leader

In the event a registrant writes checks at four participating locations within a 24 hour period, the account will be suspended until it can be determined the checks written will not be returned unpaid. This fail safe mechanism will recognize the repeat check writing activity and prevent a check writer from continuing such activity until it can be determined whether the checks written will not become unpaid items for collection. In addition, the check writer score will determine the Aggregate Daily Check Writing Limit of all checks a registrant may write in checks in a 24 hour period.

<u>Check Writer Score</u>	<u>Aggregate Daily Check Writing Amount</u>
• Less than 300	\$400
• 300 to 400	\$500
• 401 to 500	\$600
• 501 to 600	\$700
• 601 to 700	\$800
• 701 to 800	\$900
• 801 to 1000	\$1000

The Advantages of the CID system:

1. Pre-Qualified Accurate Information On Check Writers

- One of the biggest problems faced by merchants is obtaining accurate information on check writers. This accurate information is the data needed to contact the check writer and recover lost revenue when a dishonored check is received. According to the U.S. Census Bureau, one out of every three people changes their personal contact information every 12 months. Therefore, the difficulty factor to collect lost revenue increases by 33% as a result.

With the CID system, a check writer completes an application prior to using a check at participating merchants and the CID application agreement itself requires more detailed information than requested by a supermarket courtesy card or discount card application. In addition, a check writer is required to update his/her personal contact information every 12 months in the CID system. If a check writer does not update their check writer profile on a yearly basis, their check cashing privilege is suspended. Therefore, the difficulty factor to collect lost revenue decreases using the CID system.

2. A System of Good Check Writers, Not Bad Check Writers

- All check verification systems available in the industry today are based on negative information. This information is obtained from the actual returned checks and is limited to what information is pre-printed on the check and the additional information written on the check by the cashier. Usually the cashier obtains the driver license number and phone number. This information is what a check collection agency or a business owner has to work with when attempting to collect a check. This information is entered into an internal database managed by the merchant or into a regional or national database managed by a collection firm. Typically such a database is referred to as a negative database from which check writer information is compared at the point of sale. The negative database is limited in scope to the information it contains and, although you can prevent a bad check writer from writing additional bad checks if he is found in the negative database, you have the same lim-

ited information to collect the face amount of the check on returned checks written by check writers that are approved by the negative database. The CID system works in reverse. It is a system of good check writers.

3. Faster Service At The Point Of Sale, No Hassle Shopping

- With the CID system, the check writer no longer, (i) has to get check approval from a manager, or (ii) go through the normal hassle associated with paying by check. They just swipe their driver license and the CID system will instantly respond with a check approval or denial. Fraud is virtually eliminated. The retailer knows that the Company has the check writer's contact information on file already. In the event a check is returned unpaid, the Company can contact the check writer immediately and revoke the card until the check is paid.

4. Link To All Bad Check Writers Within The Network

- Every participating merchant will now know if the check writer has a dishonored check outstanding anywhere in the CID network. Bad check writers will no longer be able to write a check for goods and services anywhere within the CID network until he/she honors that returned check and pays the amount outstanding in full, plus a service charge. At that time, the membership is reinstated. This prevents a bad check writer from visiting a network store in Virginia, paying for goods and services with a bad check and then visiting a network store in Pennsylvania where he/she tries to do the same thing.

5. Out Of State Checks

- If a customer receives approval to write a check at a participating merchant, it means the Company has pre-qualified the check writer because it has updated information on file about the registrant. If the registrant is verified, a merchant no longer needs to be concerned about taking out of state checks from registrants. If the Company has the registrant information on file, the Company can recover the funds as easily as if the check writer lived locally.

6. DOT.chek

- Another unique concept of the CID system is something called a DOT.chek. A DOT.chek is a virtual check that is authorized by

the member registrant. A check writer can use the DOT.chek by electing to do so at the time of registration. At the point of sale, the registrant would swipe their driver license, sign a receipt as you would with a credit card and 36 hours later, the funds would be debited from the account of the registrant and transferred to the merchant. No paper check is necessary at the point of sale. A DOT.chek is a true electronic check in that it does not function like a debit card which takes the money immediately from a consumer's bank account. A DOT.chek takes the money from the consumer's bank account in approximately the same float time as a paper check. A transaction fee of \$0.50 per DOT.chek will be charged the check writer for each electronic transaction.

7. Patentability of the CID Concept – The Company has filed for a process patent for the ChekXcept™ Identification System. Specifications and illustrations have been completed and the Company is waiting for comments from the U.S. Patent Office. Assuming the Company is successful in being awarded a process patent for the underlying methodology of the CID system, the Company would have the exclusive right to utilize that methodology and license the system to major retailers.

As previously stated in the President's letter, ADW will bring you all the news, not just the good news. ADW started developing the driver license software in June, 2008. The engineering was halted in October, 2008 with most of the soft-

ware programming completed. ADW needed to make the final payment of \$12,500 to Legal Age, Inc. for the license it purchased in June, 2008. In addition, ADW needed to pay software engineers working on the project in Ohio the remaining balance of \$7,500. ADW also needed to complete in-house programming to interface with the driver license software as well as set up back up systems and purchase equipment to test the system in the field. Since June, 2008, ADW has attempted to raise \$250,000 in working capital to bring the driver license project to the roll out stage. On September 2, 2008 ADW introduced a \$1.00 Preferred Stock Offering which provided a participation in the swipe revenue of the driver license program as an incentive. The Preferred Stock was also convertible into Common Stock at the option of the holder. It matured in seven (7) years and provided the holder with protection against being called before three years, thereby insuring the Preferred Stockholder would receive income from this holding. ADW also built in a 100% penalty into the Preferred Stock. In the event ADW calls the Preferred Stock, the holder receives \$2.00 per share.

ADW was only able to raise a total of \$35,000 from this offering. This amount is insignificant compared to the funding we require and we could do very little in forwarding our progress. The following table shows the funding requirement of ADW.

FUNDING REQUIREMENT

The Company is seeking \$1,000,000 in venture capital funding. The proceeds will be allocated as follows:

Net Proceeds	\$1,000,000	100%
Facilities ¹	\$ 87,425	8.7%
Operational Infrastructure ²	144,750	14.5%
Telecommunications ³	17,050	1.7%
Legal	35,000	3.5%
Internal Software Interface ⁴	45,900	4.6%
Accounting	40,000	4.0%
Marketing of CIS ⁵	89,770	9.1%
Salaries ⁶	150,400	15.1%
Sales Expense ⁷	35,000	3.5%
Payroll ⁸	<u>101,610</u>	<u>10.2%</u>
	746,905	74.8%
Working Capital ⁹	<u>253,095</u>	<u>25.2%</u>
Total Proceeds	<u>\$1,000,000</u>	<u>100%</u>

Footnotes

1. **Facilities** - The Company plans to move to facilities that will allow its operations to be on one floor with the collections area set up in one bullpen area so supervision of the collectors is easier and more efficient.

The expected cost of this move is as follows:

- Lease of new location - \$5,500 per month (First and last month due upon signing = \$11,000. Total first years lease = \$66,000). Total first year lease cost: \$ 77,000
 - Moving costs: 5,000
 - Telephone and Internet transfer: 3,600
 - Utility and other fee deposits: 600
 - Certificate of Occupancy: 25
 - Independent Contractors (Disassemble and reassemble of furniture, fixtures, etc.) \$ 1,200
- \$87,425**

2. **Operational Infrastructure** - This includes the purchase of computer hardware and software as well as other office equipment.

- Eight (8) office work stations with printers @ \$1,400 each: \$ 11,200
 - Two (2) IBM Blade Servers or compatible Units (One Server for Pennsylvania and a redundant system in New Jersey): 104,000
 - High Volume Copy Machine: 3,200
 - Two High Volume Printers @ \$2,300 (includes color): 4,600
 - Computer supplies: 3,000
 - Predictive Dialer System: 3,750
 - Auto Brochure Folder: 700
 - Credit Card Voice Transaction Equipment: 300
 - Independent Generator System (Including Installation): \$ 14,000
- \$144,740**

3. Telecommunications - The Company will need to purchase:

• A telephone system with greater line capability:	\$ 5,000
• Automated receptionist system:	1,250
• One T-1 lines to accommodate ChekXcept CID system = \$900 per month (\$10,800 annually):	<u>10,800</u>
	\$ 17,050

4. Internal Software Interface – The Company must build and interface internal servers and software to the driver license software being developed. The estimated software costs are as follows:

• Annual hosting fee:	\$ 6,000
• Programming fees for interface by PSI Prime:	15,000
• Programming fees by Software Engineer Developers:	7,500
• Interface contract fees by legal Age:	12,500
• Anti-Virus/Anti-Spam Software - \$100 per work station (15 work stations):	1,500
• Intrusion Detection System – AWG4000 (Astaro Security Gateway), \$3,400 initial fee plus \$3,000 yearly maintenance fee:	<u>3,400</u>
	\$45,900

5. Marketing of CIS – The Company plans to introduce the CID system through the establishment of sales territories and the employment of outside representatives to introduce the concept. In addition, the Company plans to advertise in major industry publications. Also, the information from every swiped driver license is captured and should the consumer not be registered in the CID system, ChekXcept/ADW will automatically generate marketing information to the consumer. Cost for this category are estimated as follows:

• Advertising for Sales Reps:	\$ 4,000
• Advertising in Industry Publications:	30,000
• Automatic Generation of Sales Material to Unregistered Consumers @ \$0.54 per envelope times estimated 250 consumers per week = \$135 per week in year one times 52 weeks:	7,020
• Purchase of VeriFone Swipe Machines (150 @ \$325 each):	<u>48,750</u>
	\$ 89,770

6. Salaries - It is estimated that the annual salary increase for existing executives and new executives or management personnel to be hired by the Company will be:

a). Existing Executive Salary Increases	\$52,000
b). New Vice President of Operations	44,200
c). New VP Technology Development	54,200
TOTAL	\$150,400

7. Sales Expense – Includes estimated reimbursed expenses for officers, entertainment, travel and lodging for meetings.

8. Payroll – Payroll consists of new hires as follows:

a) Five Collectors Commission Only Sales - \$50 Per Week Travel Expense	\$13,000
b) Full Time Bookkeeper @ \$15.00 per Hour – 40 hours per Week	31,200
c). Two initial CID Representatives @ \$11.00 per hr	45,760
d). Five Outside Salesmen (\$150 per week plus \$50 per week expenses plus commission on sales. One week training at home office @ \$250 each)	11,650
TOTAL	\$101,610

9. Working Capital - The Company will have a broad discretion over the use of these funds which may be used for any number of operational, business or employment requirements.

BANK PROGRAM

PRODUCTS

CHEKCOLLECT

“You can’t build a reputation on what you are going to do.”

- Henry Ford -

The banking industry has become increasingly competitive in recent years. With the problems faced by many banks today, banking executives are looking for alternative ways to increase revenue and fees. To attract and retain banking customers, banks have to adopt programs and technology to convince customers to establish long term relationships. ADW has developed a bank program call ChekCollect. ChekCollect is a simple, cost effective program designed to provide any personal or small/micro business checking account customer with a check collection protection against bad check writers. This program has never been available to bank customers on this level. Competitors do offer business checking account customers an NSF service but nothing more. The Company’s program goes beyond the borders of service offered by our competitors because it protects “individual” checking account customers as well.

The ChekCollect program by ADW focuses on helping a bank achieve greater success by developing and executing a check protection program that will increase customer loyalty and attract new business at very little cost to the bank customer and no cost to the bank. The ChekCollect program addresses a need which has been identified by ADW.

When a bank customer receives a bad check, they are charged a return check fee by their banking

institution. If that same check is returned unpaid a second time, the banking institution may charge their checking account customer again and then send the unpaid check item back to their customer. By doing so, the bank is informing the checking account customer that they tried to collect the check for them; could not; charged the checking account customer a penalty because someone else bounced the check and; they are returning the check with the unspoken message:

“We attempted to collect this check. We could not! We charged you for our inability to collect and now we are returning the check to you. Good luck in collecting it on your own”

Smart banking choices in the 21st century need to include smart deposit protection options. Through ChekCollect a checking account customer can take a check with the confidence of knowing a professional collection company is in place to collect on any check that doesn’t clear.

Considering the thousands of work related activities a checking account customer may become involved in to add to their household income, it should be understandable that there is a need for the ChekCollect product, especially in today’s economic environment. The ChekCollect program was actually designed for individuals. Increasing the average family’s household income is taking on new forms in this economy. Families are adding to household income through regular yard sales; flea market; home mail order services and; Ebay dealers to name just a few.

Unlike competitive programs, the ChekCollect program offers “all” checking account customers a solution to collect bad checks!

There are very few options available to an individual who receives the physical returned check item from their bank. These options include: (1) Call the check writer; (2) Attempt to find the

check writer and replace the check; (3) File a complaint in court; (4) Take time off work to go to court; (5) If a judgment is awarded, the judgment must be filed with a filing cost; (6) Assets must be found to attach involving an asset search with additional cost; (7) If assets are found, a sheriff must serve the judgment at another cost; (8) If the bad check recipient is unable to collect after process of service by a sheriff or there are no assets, there is no other recourse.

The ChekCollect program provides the checking account customer with new options. Here's how ChekCollect works. A participating bank is provided with training by ADW for all the branch managers and desk personnel. When opening up a new checking account, the ChekCollect program is explained and offered. If the new account wants the bad check service, the bank representative can access a collection agreement through the Internet, complete it, print two copies, one for the bank customer and one for the bank and a third electronic copy is sent to ADW.

In the event the checking account customer is an existing customer of the participating bank, that customer can either see a bank representative or pick up one of several brochures in the bank and go on-line to complete an application. The program was designed to seamlessly integrate with the bank operation.

Enrollment

To be enrolled in the ChekCollect program, a checking account customer must sign a collection agreement with ADW. The cost of enrollment is \$5.00 per year. This amount is electronically debited from the checking account customer's account. Enrollment also includes an ACH authorization which instructs the participating bank that the enrolled customer no longer wants returned checks handled by the bank for redeposit. All returned checks must now be sent to ADW.

Collection Procedures

1. Returned check items are sent to ADW by the participating bank either by email, U.S. mail or electronic scan. ADW must

have an image of the check.

2. ADW will notify both the bad check writer and the checking account customer that a returned check item has been received.
3. ADW initiates the first collection notice to the bad check writer within 2 days of receipt of the returned check item from the participating bank.
4. If the check writer cannot be located by the information on the check, ADW will skip trace the check writer to locate him/her. ADW will perform this only twice for each bad check writer. The charge for skip tracing is \$0.50 per report. This amount is deducted from the collected funds before electronically ADW credits the bank customer's checking account.
5. When an NSF check is collected with the state allowable collection fee, 100% of the face of the check plus \$5.00 of the state allowable collection fee is paid electronically to the bank customer. If an NSF check remains uncollected after 45 days, it becomes a Hard Money item.
6. ADW will continue its collection efforts on Hard Money check items for a total of 365 days which includes the 45 days in NSF. The checking account customer may elect, under the collection agreement, to allow collection efforts to continue for an additional twenty-four months.
7. Once ADW collects the face amount of a Hard Money check and the state allowable collection fee, ADW will electronically deposit 75% of the face of the check directly into the checking account customer's account, plus \$5.00 of the state allowable collection fee.
8. ADW will supervise payment plans of outstanding check items on behalf of the checking account customer.
9. Payments received from bad check writers are applied first to the state allowable fee and then to the face amount of the check.
10. If ADW does not collect the face amount of a check plus the state allowable fee within a twelve month period, or an extended period as provided by agreement, the check is returned to the bank customer with a report of the collection activity.

11. ADW can attempt collections for up to three years from the date on the check, if authorized.
12. This means the checking account customer can turn over all the bad checks they may be holding to ADW at the time of enrollment and ADW will initiate collection activity.

Summary of Customer Costs & Services

Fees & Benefits to the Banking

Annual Enrollment Fee	\$5.00
NSF Collection Term	45 Days
Collection Term	365 Days
Collection Extension Term	2 Years
Trust Accounting	YES
On-Line Status Searches	YES
Supervision of Partial Payment Programs	YES
Frequency of Paid in Full Reports	Monthly
Percentage of NSF Paid in Full Collection Proceeds Paid to Customer	100%
Percentage of Hard Money Paid in Full Collection Proceeds Paid to Customer	75%
Maximum Age Checks Can be Collected	3 Years
Skip Tracing Report Charges Per Check Writer (Max two Reports)	\$0.50
Portion of State Allowable Fee Paid to Customer on All Paid in Full Items	\$5.00

Institution

This program was designed as a joint venture with the banking institution. Banks are seeking ways to increase their revenues through new programs and fees. ChekCollect provides this ability for the bank. ADW will pay to the banking institution the following fees:

1. 25% of the yearly enrollment fee or \$1.25 per account.



Matthew Perosi - Vice President Information Technology

2. On each NSF or Hard Money check paid in full, \$5.00 of the state allowable fee.
3. Complete Trust reporting for bank and checking customers.
4. Online enrollment and searches.

Revenue Sharing

Revenue sharing for the participating bank is as follows:

25% of Each Enrollment Fee.....\$ 1.25
 Payment of State Allowable Fee
 For Paid in Full Items..... 5.00

Program Considerations

ADW believes ChekCollect will deliver a direct benefit to not only the checking account customer but the banking institution as well. Among these benefits are:

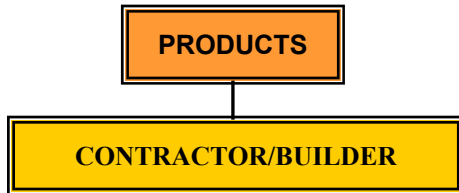
- Increased checking account activity realized by the bank.
- Improved checking account enrollment.
- The creation of long term customer loyalty.
- The opportunity for the participating bank to “cross sell” other financial products.
- The reinforcement of the checking accounts customer’s confidence in the bank they do business with.
- An opportunity to reactivate inactive accounts.
- An opportunity for the participating bank to attract business from a competitor that is not using the program.

Estimated Income:

The following projections show the revenue to ADW and a participating bank assuming the bank model has four branches, each branch having 5000 checking account customers. We further assume that one (1) of every four (4) checking accounts is a business account with the remainder individual accounts. Below is a projection for ChekCollect based on a 20% participation of the bank model.

Calculation of the Number of Participating Checking Account Customers	
Estimated Number of Business Checking Enrollments 4 Branches X 5000 Accounts Per Branch X 25% being Business Accounts.	5,000
Number of Individual Checking Enrollments 4 Branches X 5000 Accounts per Branch X 75% being Individual Accounts	15,000
Total Checking Account Customers (5,000 Accounts per Branch X 4 Branches)	20,000
Total Checking Account Customers Projected to Participate in ChekCollect - 20%	4,000
Total Estimated Business Checking Customers (25% X 4000)	1000
Total Estimated Individual Checking Account Customers (75% X 4000)	3000
Annual ChekCollect Enrollment Cost Per Account	\$5.00
Aggregate Annual Enrollment Income (4,000 Accounts X \$5.00)	\$20,000
ADW Enrollment Income at 75% of Aggregate Annual Enrollment Income	\$15,000
Bank Enrollment Income at 25% of Aggregate Annual Enrollment Income	\$5,000
Check Calculations	
Estimated Average Number of Monthly Bad Checks Per Business Checking	22
Aggregate Annual Bad Checks All Business Checking Accounts (22 X 1000 X 12 mo)	264,000
Estimated Average Number of Monthly Bad Checks Per Individual Checking	1.5
Aggregate Annual Bad Checks All Individual Checking Accounts (1.5 X 3000 X 12 mo)	54,000
Projected Total Annual Bad Checks Received from All Checking Accounts	318,000
State Allowable Collection Fee	\$30.00
NSF Collections (Non-Sufficient Funds)	
Percentage of Total Annual Bad Checks Returned for NSF	71%
Estimated Number of NSF Checks (318,000 Total Bad Checks X 71%)	225,780
Estimated Number of NSF Checks Collected Electronically – (225,780 X 89%) Based on In-House Data	200,944
Estimated Total Aggregate Collection Fees (\$30 X 200,944 Collected NSF Checks)	\$6,028,320
\$5.00 Refund to Individual Accounts (Individual Checking Accounts Will Not Have NSF Checks)	-0-
\$5.00 Refund to Business Checking Accounts (200,944 Collected NSF Checks X \$5.00)	\$1,004,720
\$5.00 Refund to Participating Bank (578,750 Collected NSF Checks X \$5.00)	\$1,004,720
Total Projected Income for ADW from NSF State Allowable Fees	\$4,918,880
Hard Money Collections (Stop Payment, Refer to Maker, No Account Found, Etc.)	
Percentage of Total Annual Bad Checks Returned for Hard Money	29%
Estimated Number of Hard Money Checks (318,000 X 29%)	92,220
Estimated Number of Hard Money Checks Collected – (92,220 X 42%) Based on In-House Data	38,732
Estimated Total Aggregate Collection Fees (\$30 X 38,732 Collected Checks)	\$1,161,960
Average Check Amount – Based on In-House Data	\$57.65
ADW Receives 25% of Face of Check (38,732 Collected Checks X \$57.65 X 25%)	\$558,225
\$5.00 Refund to Individual & Business Checking Accounts for Every Collected Check (38,732 Collected Checks X \$5.00)	\$193,660
Total Projected Hard Money Income for ADW	
Collection fess (\$1,161,960—\$193,660 Customer Refunds—\$193,660 Bank Refunds)	\$1,142,594
Percentage of Face	<u>558,225</u>
Total Hard Money Income	\$1,700,819
ADW TOTAL PROJECTED INCOME – NSF & Hard Money	\$6,619,699

EASY BULDER LOAN/CONTRACTOR



The development of the medical program has given us the ability to design a derivative program that can offer financing options to other businesses such as contractors. Contractors offer everything from roof repair, paving, home additions, window replacement as well as simple repairs. Whether it's a chimney repair or a new deck, the cost of these services can run very high. Paying for them is either a function of obtaining a bank loan or charging it to a credit card. Since the economy currently has restricted bank credit and consumers are finding themselves maxed out on most or all of their credit cards, contractors are faced with a 2009 season of business that promises to be significantly less than 2008. Unless a consumer can pay cash for a contractor's service, spending in this area is likely to drop which will impact contractor earnings for 2009. In examining this, ADW has recognized an opportunity.



Janice Hromchak — Vice President of Operations

ADW will be introducing a program called EZ Builder Finance in April, 2009 that will allow contractors to offer to their customers the extended payment program we will be using for



medical professionals. The program will allow a participating contractor to offer their customer a method of financing the balance of a bill through an extended payment program with a 13.9% APR. The customer will pay a fixed monthly payment. Interest and a \$1.25 electronic fee transfer charge will be deducted from the payment and the balance each month will be applied to the outstanding principal due. The contractor will negotiate an up front payment for the job and the balance is financed by the contractor through ADW with an APR of 13.9%. The customer can choose a payment plan of 12, 24, or 36 months depending on the contractor and the amount to be financed. The monthly payments will be electronically deducted from the customer's account and 100% of the principal and 50% of the interest will be paid to the contractor each month electronically. ADW will retain 50% of the interest charge each month plus the \$1.25 electronic transfer fee. There will be a one-time set-up fee for the contractor of \$150. The following table demonstrates how a one (1) year agreement might work for a contractor and ADW.

Contractors Example of Finance Charge

\$2000 Outstanding Bill to be Financed.

$\$2000 \times 13.9\% \text{ APR} = \278

$\$278 \text{ divided by } 365 \text{ days in year} = 0.762\% \text{ per day APR.}$

YEAR ONE

January - Month 1

Original Amount Financed	=	\$2000.00
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less fee	=	1.25
Applied to Principal	=	140.13
Ending Balance this cycle	=	\$1859.87

February - Month 2

Previous Balance	=	\$859.47
Equal Monthly Payments	=	165.00
Less 0.762 X 28 day cycle	=	21.34
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	142.41
Ending Balance this cycle	=	\$1717.46

March - Month 3

Previous Balance	=	\$1614.06
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.13
Ending Balance this cycle	=	\$1577.33

April - Month 4

Previous Balance	=	\$1577.33
Equal Monthly Payments	=	165.00
Less 0.762 X 30 day cycle	=	22.86
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.89
Ending Balance this cycle	=	\$1436.44

May - Month 5

Previous Balance	=	\$1436.44
Equal Monthly Payments	=	65.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.13
Ending Balance this cycle	=	\$1296.31

June - Month 6

Previous Balance	=	\$1296.31
Equal Monthly Payments	=	165.00
Less 0.762 X 30 day cycle	=	22.86
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.89
Ending Balance this cycle	=	\$1155.42

July - Month 7

Previous Balance	=	\$1155.42
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.13
Ending Balance this cycle	=	\$1015.29

August - Month 8

Previous Balance	=	\$1015.29
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	88.95
Ending Balance this cycle	=	\$875.16

September - Month 9

Previous Balance	=	\$875.16
Equal Monthly Payments	=	165.00
Less 0.762 X 30 day cycle	=	22.86
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.89
Ending Balance this cycle	=	\$734.27

October - Month 10

Previous Balance	=	\$734.27
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.13
Ending Balance this cycle	=	\$594.14

November - Month 11

Previous Balance	=	\$594.14
Equal Monthly Payments	=	165.00
Less 0.762 X 30 day cycle	=	22.86
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.89
Ending Balance this cycle	=	\$453.25

December - Month 12

Previous Balance	=	\$453.25
Equal Monthly Payments	=	165.00
Less 0.762 X 31 day cycle	=	23.62
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	140.13
Ending Balance this cycle	=	\$313.12

YEAR TWO

January - Month 13

Previous Balance	=	\$313.12
Equal Monthly Payments	=	165.00
Less interest 0.762 X 31 day cycle	=	23.62
Less fee	=	1.25
Applied to Principal	=	140.13
Ending Balance this cycle	=	\$172.99

February - Month 14

Previous Balance	=	\$172.99
Equal Monthly Payments	=	195.58
Less 0.762 X 28 day cycle	=	21.34
Less electronic transfer fee	=	1.25
Applied to Previous Balance	=	\$172.99
Ending Balance this cycle	=	\$-0-

The above table shows the progression of payments a consumer would pay for a balance due to a contractor for a home repair or improvement. The contractor receives the balance of the outstanding bill through equal monthly payments plus interest. Using EZ Builder Finance, the contractor can attract more business because the consumer can pay over time.

In the above example, the contractor receives 100% of the outstanding principal. The total interest charge is \$323.08 over the period financed. The contractor receives 50% of this interest

charge or \$161.54. ADW receives the balance of the interest charge or \$161.54 plus the aggregate of the \$1.25 monthly charges for electronic transfer or \$17.50.

This is an easy program for ADW to initiate since it does not involve any new software and we are already set-up to introduce this program. We expect to inform our shareholders before the end of April 2009 of the launch of this program. The projection below shows the results management expects before the end of August, 2009.

		April	May	June	July	August
1.	Number of Contractors Enrolled	10	20	30	40	50
2.	Aggregate Enrollment Fees @ \$150 Per Builder	\$1,500	\$3,000	\$4,500	\$6,000	\$7,500
3.	Aggregate No. Consumers Using EZ Builder Credit	30	60	90	120	150
4.	Avg. Projected Monthly Payments Per EZ Contract	24	24	24	24	24
5.	Projected Electronic Transfers per Month (3 X 4)	720	1440	2160	2880	3,600
6.	Projected Average Consumer Financing Amount	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
7.	Projected Total Dollars Financed (3 X 5)	\$60,000	\$120,000	\$180,000	\$240,000	\$300,000
8.	Projected Total Interest (13.9% X Projected Dollars Financed)	\$834	\$16,680	\$25,020	\$33,360	\$41,700
9.	Projected Electronic Transfer Fees (\$1.25 X 5)	\$900	\$1,800	\$2,700	\$3,600	\$4,500

PROJECTED EZ BUILDER INCOME TO ADW IN ABOVE EXAMPLE

Source	Total Projected Revenue
Contractor Enrollment Fees	\$7,500
Interest Accruable to ADW	\$20,850
Electronic Transfer Fees	\$4,500
TOTAL REVENUE THIS EXAMPLE	\$32,850

The EZ Builder Finance program is a derivative of SoftBill™. Variations of SoftBill™ can also be used for other businesses that want to provide extended payment programs. The above projection was developed by management and is based on information management deems to be reliable.

The projection is presented for information purposes only to demonstrate the potential of the proprietary programs of ADW. However, results may vary and therefore management cannot guarantee the accuracy of the projections above.

HEALTHCHEX CAPITAL, INC.

PRODUCTS

HEALTHCHEX

HealthChex Capital, Inc. (“HCI”) is a subsidiary company of American DebtWorks (“ADW”). ADW is developing a medical billing off shoot of the driver license program that will be based on the ChekXcept ID System (“CID”). The HealthChex medical billing program, called *SoftBill™*, is an electronic extended payment plan, and will



incorporate the use of the driver license for validation and approval. The development of *SoftBill™* is being done through a license between HCI and ADW. *SoftBill™* effectively allows a professional practitioner to receive a portion of the APR normally received by credit card companies. The medical practitioner would pay a one time set up fee of \$500. An additional cost of \$550 may be required to purchase a VeriFone swipe device if the driver license software cannot be loaded onto the existing swipe device being used in the medical office. Once set up, a patient would swipe their driver license at the medical professional’s office and wait just seconds for approval. Once approved, the medical professional could offer the patient a *SoftBill™* plan based on the outstanding medical balance. *SoftBill™* plans start at a pre-determined threshold such as \$300. The amount of the extended credit provided by the practitioner is based on the check writer score and the daily aggregate check writing

limit. A check writer with a “check writer score” of 200 would have a daily aggregate check writing limit of 400, (see the *ChekXcept/Driver License section of this annual report*). The *SoftBill™* credit limit for each check writer is 10 times the aggregate daily check writing limit. Therefore, a check writer with an aggregate daily check writing limit of 400 would have an extended pay credit limit of \$4,000. Applications are competed on-line, printed at the medical professional’s location, a copy is given to the patient, a copy is retained by the practitioner and an electronic copy sent to ADW. ADW will then set up the billing account for the patient. The patient will be charged a 13.9% APR by each participating practitioner in the network. The practitioner will be paid within 48 hours of receipt of the electronic payment by ADW and will receive 100% of the payment principal plus 50% of the APR for that monthly cycle. In the event the practitioner is a shareholder of HCI, they will receive 70% of the APR for that monthly cycle. Should the practitioner sell their shares, the percentage of the monthly APR would drop back to 50%. ADW will receive \$0.20 per driver license swipe or 1½% of the transaction total up to a maximum of \$0.50, whichever is greater, from the practitioner; \$1.25 from the patient for the electronic transfer and; either 50% of the monthly 13.9% APR or; 30% of the monthly 13.9% APR depending on whether the practitioner is a shareholder. This program will also be introduced to dentists; veterinarians and; other retail environments where credit cards may be used to purchase goods or services.

ADW has appointed two directors to the Board of HCI, Dr. Howard Small, a veterinarian from Florida and Mr. Marvin Pechter, a CPA from Atlanta, GA. ADW will be appointing three other individuals to the Board of HCI and then nominating officers for the company to be appointed by the HCI Board. The development of *SoftBill™* is again dependent upon financing. Recently, ADW notified all its shareholders that the Class B and Class C Warrants of HCI were being called on April 15, 2009. Management is hopeful that the shareholders will exercise their warrants. On an

average, the entire exercise price to each shareholder is approximately \$600 for 4000 shares of common stock in HCI. Without the funding, HCI will need to continue seeking capital and the development of the *SoftBill™* program will experience delays.

With the economic and social problems that Americans deal with daily, medical invoices are finding their way to the bottom of the bill pile after food, gas and other household expenses. Medical professionals are paying higher costs for billing services that send out monthly reminders and late notices to non-responsive patients. As a result, medical professionals are considering alternative methods of balance billing.



ADW expects to begin marketing the SoftBill program in PA, NJ and NY once it becomes available. The following are state health facts taken from sources listed below. We have projected an income from three states for *SoftBill™* based on only 1% participation.

Healthcare Facts

Health Care Description	New York	New Jersey	Pennsylvania	U.S.
Number of Physicians	86,179	33,501	49,575	991,066
Number of Patients Served In-Office	1,208,691	316,178	521,194	16,050,835
Total Hospitals	203	79	188	4,927
Hospital Admissions per 1,000 Population	133	128	150	118
Hospital Emergency Room Visits per 1,000 Population	411	376	450	396
Hospital Outpatient Visits per 1,000 Population	2,802	1,961	2,879	2,007
Population of States	19,227,088	8,698,879	12,406,292	320,000,000
Total ER Visits (population divided by 1000 X ER Visits Per 1000)	7,902,333	3,575,289	5,098,866	126,720,000
Average Cost of Hospital Stay (High Beam Research)	\$7,500	\$7,500	\$7,500	\$7,500
Total Outpatient Visits (Population divided by 1000 X 2,802)	53,874,054	24,374,598	34,761,612	642,240,000
Total Admissions (Population divided by 1000 X Hosp. Admis./1000)	2,557,191	1,156,967	1,649,998	37,760,000
Number of Rural Health Clinics	8	0	54	3,781
Uninsured Individuals (18% of Population)	3,460,875	1,565,798	2,233,132	57,600,000
Number of Dentists	17,729	8,289	10,156	233,104
Number of Visits by 18 yrs/up past 6 months (44% Population)	8,459,918	3,827,507	5,406,292	140,800,000
Number of Veterinarians	3,217	1,318	1,694	85,977
Total Housing Units (HU) (U.S. Census)*	7,907,420	3,472,643	5,453,228	127,901,934,000
Total HU Owning Pets (.574 X Total HU - AVMA) = HU/pets	4,538,859	1,993,297	3,130,152	73,415,710,000
Avg. Number Cats & Dogs Per HU (U.S Pet Calculator – AVMA)	10,344,170	4,679,997	6,674,580	166,272,514,000
Total Veterinary Visits Per HU Per Year (4.3 X No. of HU/pets)**	19,517,092	8,571,177	13,459,646	315,687,553,000
Annual Veterinary Expense Per HU/pets = (\$546 X Pets Per HU)***	\$1,256	\$1,256	\$1,147	\$1,256
Annual Expenditure Per Animal (\$281 X Pets Per HU)****	\$646	\$646	\$590	646

* Housing Unit (Census) - A housing unit is a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, intended for occupancy) as separate living quarters. Separate living quarters are those in which the occupants live and eat separately from any other people in the building and which have direct access from the outside of the building or through a common hall. (U.S. Census Bureau)

** Total Veterinary Visits Per HU Per Year – (4.3 is a research number provided by AVMA) (4.3 X Average No. HU with Dogs & Cats = Total visits per household with pets).

*** Annual Veterinary Expenditure = HU/pets Divided By Total Housing Units X \$546. (\$546 provided by AVMA).
 *** Annual Expenditure Per Animal = Average No. Cats & Dogs Per HU Divided By Total Housing Units X \$281. (@81 is a number provided by AVMA).

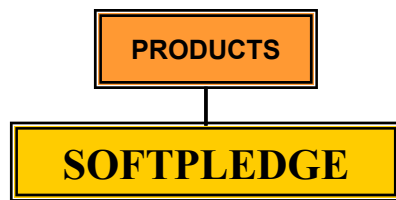
Sources: Statehealthfacts.org, Kaiser State Health Facts, Nation Coalition on HealthCare, Right Health.com, National Institute of Dental and Craniofacial Research, www.cdc.gov, AVMA, Ask.com and; High Beam Research

DESCRIPTION	A — 100%	B — 1%
1. Total Number Patient Visits to Doctor's Office Per Year NY - 1,208,691; NJ - 316,178; PA - 521,194	2,046,063	204,606
2. Total Swipe Fees from Doctors Offices Per Year at \$0.20 per swipe	\$409,213	\$4,092
3. Total Doctor Patient Membership Fees in ChekXcept ID System (204,606 Patients X .42 Mo X 12)	\$1,031,214	\$ 10,312
4. Total Hospital Admissions NY - 2,557,191; NJ -1,156,967; PA - 1,649,998 per year	5,364,156	53,642
5. Hospital Admissions Billing (Avg. Cost of Hospital Stay = \$7,500 X Total Admissions)	40,231,170,000	4,023,117
6. Average Percentage of Hospital Billing Not Covered By Insurance (12%)	4,827,740,000	48,277,000
7. Total APR at 13.9%	\$671,056,000	\$6,711,000
8. Total Hospital Patient Membership Fees in ChekXcept ID System (Total Admissions X .42 /Month X 12 Mo)	\$27,035,160	\$270,372
9. Total APR received by ADW at 50% for Back Office Electronic Billing & Support (#7 X 50%)	\$335,528,000	\$3,355,500
10. Electronic Fee - Assuming 204,606 Patients Choose a 12 Mo. Payment Program (204,606 X \$1.25 X 12)	\$30,690,945	\$3,069,090
11. Total ER Visits per year, NY – 7,902,333; NJ – 3,575,289; PA - 5,098,866	11,987,508	119,875
12. Total Out-Patient Visits NY - 53,874,054; NJ - 24,374,598; PA - 34,761,612	113,010,264	1,130,103
13. Total Swipe Fee Income from Out-Patient Visits (.20 X Total Visits)	\$22,602,053	\$226,021
14. Total Out-Patient Membership Fees in ChekXcept ID System (#12 X .42/Month X 12)	\$47,464,311	\$474,643
15. Doctor Enrollment & Set-Up Fee into Driver License Program—\$500 per Doctor	\$1,023,031,500	\$1,023,030,315
16. Hospital Enrollment & Set-Up Fee into Driver License Program—\$500 per Hospital NY, NJ, PA	\$235,000	\$2,350
ADW PROJECTED INCOME BASED ON 1% PARTICIPATION IN THREE STATES		
Total 1% Swipe Fee Income From Doctor Office Visits in Three States (#2B Above)		\$4,092
Total 1% Swipe Fee Income From Hospitals (#13B Above)		\$226,021
Total Doctor Membership Fees for ChekXcept ID System (#3B Above)		\$10,312
Total Hospital Membership Fees for ChekXcept ID System (#8B Above)		\$270,372
ADW Estimated APR Income (#9B Above)		\$3,355,500
Electronic Fee Income (#10B Above)		\$3,069,090
Hospital Set-Up Fees (\$500 X No. Hospitals in NY, NJ, PA (470 X 1% = 5 X \$500 = \$2,500)		\$2,500
Doctor Set-Up Fees (\$500 X No. Doctors in NY, NJ, PA (169,255 X 1% = 1,693 X \$500 = \$846,500)		\$846,500
ESTIMATED INCOME TO ADW USING ABOVE HEALTH FACTS		\$7,558,366

The relative size of the market for the *SoftBill™* in just the three states analyzed shows the significant potential of this program. The projection shows “just 1%” of participation by doctors and other professional, including hospitals. We assume Health Care insurance covers most of the Doctor's Office bill, therefore we only use the license swipe to identify income for ADW from check users during a Doctor's visit.

It should be noted that the above projection is incomplete and is only based on a portion of the Health Facts shown herein. It does not include all medical and there is no provision for projected income from Veterinarian and Dental practices. In addition, the reader should note that the projection is based on only 1% participation. The potential income of **\$7,558,366** is based on only 1% of the professional practitioners participating in the three states shown less any consideration of potential income from veterinarians and dentists. Shareholders should be able to realize the size of the market from this information.

SOFTPLEDGE™



With the economic and social problems that Americans deal with daily, any charitable donation is fast becoming a second consideration after food, gas and paying household bills. Churches or other charities are finding it more difficult to get donations and the cost of solicitation has also increased. ADW is offering an alternative method to traditional charity fund raising.

*Introducing **SoftPledge™** a new soft donation program from ADW. We can now help a charity not only maintain current levels of contribution but increase them as well!*

ADW has developed an extended pay program for charitable organizations, churches and other charitable groups called **SoftPledge™**. **SoftPledge™** allows contributors to consider larger donations over a specific period of time through electronic monthly payments. Now a charity has a simple solution to raising greater capital that provides a contributor with an electronic method to fulfill a contribution promise that meets or exceeds their pledge. Any charitable organization simply needs to sign a collection agreement with American DebtWorks *dba* **SoftPledge™** and ADW sets up a donation account for the charity.

Thereafter, we provide each contributor with a short agreement they must sign and mail to us or execute it on line at our web site www.softpledge.com. The contributor can choose a larger donation amount because now they can pledge their funds in smaller amounts over a specific period of time. Once ADW receives a signed agreement from the contributor with an election for a monthly donation deduction from a bank account specified by the contributor, ADW automatically deducts the monthly elected

promise from the contributor's bank account and transfers the funds to the charity's bank account.

This allows contributors to make larger overall pledges and charities to raise larger amounts of capital for different projects.



Why is **SoftPledge™ good for a charitable organization and the contributor? Here are the most important reasons:**

1. There is no interest charge to the contributor like a credit card.
2. There is no discount of the principal to the charity with ADW. When a charity accepts money through a credit card, the credit card company can charge up to 4% or more of the transaction total. With ADW, the church or charitable organization only pays a one time set up fee of \$150. After that, the charity pays nothing else. The entire principal donation belongs to the church or charitable organization. ADW sends every dollar.
3. **SoftPledge™** allows the funding source to pledge more than the limits he/she may have had on a credit card. A pledge by a credit card is limited to credit limits.

4. We do all the work. We set up the account for the charity. We electronically collect and clear all contributions. We send the entire amount to the charity. If a contributor misses a payment we notify the charity and contact the contributor.

5. We charge \$1.25 for each electronic donation.

We believe that in the midst of this national economic downturn, many people in middle-class America are tightening their purse-strings and thinking twice about all expenditures not essential to their basic living needs. Organizations that depend on donation capital to operate are affected by this new mindset more than any other kind of institution or company. Indeed, it has become more and more difficult for such organizations to raise money, let alone be able to project how much they will be able to raise in future months.

We have made the *SoftPledge*TM program easy and hassle-free. For the churches and other charitable organizations who will take part all that is required is an initial set-up fee of \$150, with nothing more to pay after that. Once this payment is processed, ADW will create a new donation account for the organization, and each month that organization will receive a monthly statement showing all distributions.

After the donation account is set-up, the charitable organization will provide each contributor with a short agreement or the contributor can find the application on line at www.softpledge.com. Upon receipt of this signed agreement (using traditional mail or through our *SoftPledge*TM website,) ADW will deduct the pledged amount automatically each month from the contributor's bank account as per the agreement. The agreement au-

thorizes *SoftPledge*TM to deduct a specific amount, on a specified date and for a specific number of months elected by the contributor. Each donation will then be transferred to the charitable organization's account. In using *SoftPledge*TM to make charitable donations, contributors will be able to pay more to a charitable organization than they would if they were using a credit card, as the *SoftPledge*TM program does not work within credit limits like a credit card account. There will be no penalty charge to a contributor if a donation pledge is electronically returned unpaid. Instead, a simple email reminder will be sent to the contributor and a notice sent to the charitable organization.

What makes *SoftPledge*TM so revolutionary is its simplicity. In these tough economic times, there are many people who still want to donate money to their favorite charity or to their church, but it can be tough for them to open a checkbook and write a new check each month. Now, charitable organizations can make contributing affordable and increase their donation receipts by establishing a *SoftPledge*TM program for their contributors. The program is easy to use and hassle-free. A contributor can also use their account to make donations to other charities as well.



Current Challenges

A changing economic environment is now posing new challenges for American DebtWorks, Inc.

The future success of ADW depends on just one thing; funding. We have gone to our shareholders many times, to enlist your support however, 90% of you have not responded to all overtures by us to invest even small amounts like the \$600 recently requested to exercise your Class B and Class C Warrants in HealthChex. Yet, we receive numerous shareholder calls wanting to know why things are moving so slowly. We cannot make things happen faster without the proper funding. The market has been difficult to negotiate since the new administration came to power. Finding a broker/dealer to work with has also been impossible. If our own shareholders will not invest in their own company, you can't expect investors unfamiliar with ADW to invest either. So what are our options?

We spent three weeks putting together this annual report for each of you to read so you will understand what ADW is all about and how much potential we have. We sincerely hope you read this annual report so you will understand the challenges we face and where the difficulties lie.

One of the areas to look for funding is outside the U.S. To that end, we have signed an agreement with Symposia Private Equity to raise \$1,000,000 for ADW. We may have to give up 25% of our company for the \$1 million but since we have been unable to attract the funding we need here in the U.S., we have no choice but to look outside the country.

It's important that all of you understand what this means. If we receive the funding we are seeking, ADW and HealthChex will be officially launched. Look at the section on HealthChex,

formerly Cipher Wireless, and you will see an in-depth report on the HealthChex product, SoftBill, and detailed research material on the medical, dental and veterinarian market the product addresses. You will also see the ADW revenue projections are only based on 1% of the business projected in three states. The income potential from dental and veterinarian business is not included in the ADW 1% projections. When you examine this projection, you should see the enormous potential ADW has in just medical billing alone.

We hope that you recognize the effort we have made to involve you in our Company and inform you of our progress. Many Pink Sheet and OTC publicly traded companies don't give you this kind of information. As part of our new communication program to you, we will not only publish our semi-annual newsletter but an update of our progress to you.

We ask you to consider exercising your Class B and Class C Warrants before they are redeemed at \$0.001 per warrant on April 15, 2009. That gives you just a few days to act.

We expect to launch the driver license software as a test within three months of receiving funding. The driver license software will be the key to the medical software as well. Other programs can be launched sooner but still require some software interface. ChekCollect, our bank program, can be launched within 30 days of completing certain software requirements. Two products ready for launch today are EZ Builder and SoftPledge. We will continue to keep you posted on our progress.

**WE HOPE YOU RECOGNIZE
THE EFFORT WE HAVE
MADE TO INVOLVE YOU
IN OUR COMPANY AND
INFORM YOU OF OUR
PROGRESS!**

AMERICAN DEBTWORKS, INC. UNAUDITED FINANCIAL STATEMENTS

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LIMITATIONS OF FINANCIAL STATEMENTS

The Financial Statements presented herein, have been prepared by management and, to the best of managements knowledge, fairly present the financial condition of the Company for the periods shown. The Financial Statements were prepared by management to demonstrate the results of operations for the periods represented.

Although the Financial Statements are presented from the internal accounting of operations by the Company which is deemed to be reliable, the Company does not guarantee the accuracy of the statements with respect to errors or involuntary omissions.

American DebtWorks, Inc. - Balance Sheet

ASSETS	Twelve Months Ended Dec 31, 2006	Twelve Months Ended Dec 31, 2007	Twelve Months Ended Dec 31, 2008
Current Assets			
Cash & Equivalents	98,441	117,162	29,577
ChekXcept Dues Receivable	-	-	3,014
Inventory/Supplies	1,565	1,733	5,530
Prepaid Expenses	-	-	-
Other Receivables	-	-	-
Total Current Assets	\$100,006	\$118,895	\$33,854
Property & Equipment			
Computer Equipment/Software	24,115	163,868	185,234
Leasehold Improvement	-	-	250
Furniture/Fixtures	3,500	10,376	13,458
Less Accumulative Dep.	(3,278)	(8,712)	(9,935)
Total Property & Equipment	\$24,337	\$165,532	\$189,007
Other Assets			
Organizational Costs - ADW	2,750	2,750	2,750
Organizational Costs HCI	-	1,550	1,550
Proprietary Software	23,000	23,000	29,999
Total Other Assets	\$25,750	\$27,300	\$34,299
TOTAL ASSETS	\$150,093	\$311,727	\$257,160
LIABILITIES			
Current Liabilities			
Client Escrowed Funds	19,797	28,837	18,424
Accounts Payable	-	-	10,456
Wages Payable	-	-	-
Fed. Payroll Taxes Payable	5,403	-	-
FUTA Tax Payable	172	146	153
PA State Payroll Tax	253	2,007	2,332
SUI Payable	947	1,511	989
Local Payroll Tax	687	827	743
Employee Housing	-	-	-
Total Current Liabilities	\$27,259	\$33,328	\$33,097
Long Term Liabilities			
Notes Payable - Affiliate	210,317	206,317	202,317
Notes Payable - Officers	26,273	8,721	6,750
Commission Payable	3,686	-	-
Total Long Term Liabilities	240,276	215,038	209,067
TOTAL LIABILITIES	267,535	248,366	242,164
Capital			
Preferred Stock	140	140	140
Common Stock	447	521	521
Paid in Capital	441,858	1,007,480	1,041,351
Retained Earnings	(229,117)	(559,887)	(944,780)
Net Income	(330,770)	(384,893)	(82,236)
Total Capital	(117,442)	\$63,361	\$14,996
TOTAL LIABILITIES & CAPITAL	150,093	\$311,727	\$257,160

American DebtWorks, Inc. - Statement of Operations

	Twelve Months Ended December, 31 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2008
Gross Revenues			
Collection Receipts	313,905	354,480	240,050
Stock Transfer Income	375	100	1,493
Misc. Income	-	-	-
Skip Trace Income	-	-	-
ChekXcept Membership Income			1,512
ChekXcept Misc. Income			-
Capital Gain Income/Sale of Stock			177,367
Interest Earned Money Market		111	176
Total Gross Income	<u>\$314,280</u>	<u>\$354,691</u>	<u>\$421,280</u>
Operating Expenses			
Printing/Advertising	3,576	1,124	12,961
Auto Expense	107	-	1,583
Utilities/Phone	11,751	8,302	7,142
Postage/Courier	15,945	19,583	9,622
Bank Service Charges/Fees	1,597	1,374	1,258
Rent	29,297	12,399	29,842
Equipment Leases/Repairs	2,448	9,823	1,846
Office Supplies	16,002	22,041	18,345
Office Cleaning			4,898
Uncategorized Misc. Expense	2,565	1,032	11,905
Check Assist Services	3,818	3,859	5,566
Trust Payments to Merchant Clients			137,457
Computer and Internet	37,023	34,540	23,400
Employee Health Benefits	13,647	20,723	17,460
Dues and Subscriptions	280	1,313	1,277
Commission Expense	3,686	1,165	1,713
Finder Fee Expense	-	36,540	10,792
Insurance Business/Life Expense	1,772	3,736	615
Insurance/ Workers Comp			1,908
Legal and Professional Fees	7,634	21,221	8,083
License and Bond Fees	3,769	2,018	1,868
Maintenance Expense	3,628	1,540	871
Travel Expense	3,413	4,108	5358
Meals and Entertainment	953	3,505	2,527
Wages	231,114	218,032	176,657
Business Credit Card	-	-	-
Bank Reimbursement to Client	10,004	13,125	55
Payroll Tax Expense	160	23,635	18,132
Payroll Service Expense	2,005	2,324	724
Other Payroll Expense			1,640
CBT Tax Expense			1,202
Independent Contractors			38,439
Skip Trace Expense	275	4,231	1,139
Credit Reporting			886
Charitable Contribution			450
Relocation/Moving Expense	8,716	-	-
Other Losses	-	-	-
Total Expenses	\$415,185	\$472,293	\$555,908
Net Profit/Loss	<u>(\$330,770)</u>	<u>(\$384,893)</u>	<u>(\$134,628)</u>



*INCREASING HOUSEHOLD
INCOME INVOLVES MANY
DIFFERENT ACTIVITIES*



ADW

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