

THE STEWART REPORT HOTLINE

Special Stock Update for Sunday, October 7, 2007

International Card Establishment, Inc.

Most entrepreneurs are control freaks. I know I am. My dad knew, too – which is why one of the first business lessons he impressed on me was the otherwise obvious notion that, “If you give a man a job to do, let him do it.” Relative to this HotLine – and everything else *TSR* puts to print – the job of my securities attorney is to keep me from incurring the wrath of the SEC. My job is to provide you with profitable information. These mutually exclusive ambitions collide more often than you know.

This particular HotLine covers a financial development prior to **International Card Establishment, Inc. (NASDAQ/BB: ICRD – \$0.12)**, making the news public. As such, this *Report* is a compromise without compromise. My attorney is not pleased that I’m writing it, but he agrees that my reporting of this news is legal – and that it’s of obvious importance.

ICRD Is ‘In Good Hands ...’

... The good hands of 4,000 Allstate Agent/members, who belong to a guild known as the NAPAA, or **National Association of Professional Allstate Agents**. Not every Allstate agent is a member, but every member is an Allstate agent – and they all subscribe to a quarterly trade publication called *Exclusive Focus*. I was thumbing through the most recent (Fall 2007) edition while waiting in my agent’s office to convert a collector car policy to standard coverage.

For those of you who share my love for sports cars, I have a Jaguar XKE, previously owned by Ringo Starr. I want to drive it more than the minimal “parade-and-club” activity mileage allowed by collector car policies, and so that’s why I went to my agent’s office – and how I came across the following:

NAPAA Announcement

Dear Agency Owners:

... NAPAA, in conjunction with International Card Establishment (ICE), has developed a referral program specifically for Allstate agents that can substantially increase your income while you continue to operate your Allstate agency. As agency owners, you, your staff and your family members all have contacts with business owners. Retail businesses, in particular, are ideal referral prospects for the ICE gift and reward program.

There are no fees or quotes, and the paperwork is minimal... They will treat your referrals the same way you treat your customers: with kind attention and support, while offering them real savings in payment-processing services.

We proudly recommend ICE and their referral program.

Sincerely,

Jim Fish

Executive Director

National Association of Professional Allstate Agents, Inc.

You’ve got to admit, that’s a pretty resounding endorsement. Unabridged, the above letter covers a full page in *Exclusive*, and is just one of four pages total that outlines the benefits to Allstate agents who refer new business to International Card Establishment, Inc.

The attorneys for NAPAA have not formally ratified the deal, so ICRD has not yet been able to formally announce it. Regardless, when you've got that much in print – lying there casually with the other free magazines in the waiting areas of Allstate offices all across America – you'd probably agree that this relationship is in the public domain.

Be that as it may, there are two other deals – deals very similar to the one with the NAPAA – that have been announced.

Thursday, International Card Establishment issued a news release saying it had formed a strategic alliance with **E-chx**. E-chx is a century-old provider of payroll services to approximately 6,000 small businesses. A month earlier (September 7), ICRD announced that a similar agreement had been signed with **CPAmerica**, making International Card Establishment the preferred provider of credit card processing and gift-and-loyalty programs. CPAmerica is one of the world's largest networks of independent CPAs and consulting firms. Cumulatively, CPAmerica has the eyes and ears of 70 top accounting firms across the United States, as well as some 15,000 accounting professionals worldwide.

Link the cumulative force of these three partnership agreements and then consider the probable impact on ICRD's future revenues!

It's imminently logical to believe that 3 percent of the members of the three partnering organizations will be attracted to the referral incentives. I use this figure because that's the expected return on a mass mailing, and mass mailings certainly don't have the sales enforcement that an in-person referral program commands.

If just 3 percent of CPAmerica's 15,000 accounting professionals and 3 percent of the Allstate agent guild's 4,000 members each refer just three customers each year – and, if ICRD's crack sales team converts just half of those leads into customers – International Card Establishment would pick up 855 new merchant customers annually. The revenues would be in the millions.

And what would be the cost of these new revenues to ICRD? Almost nothing! That's the real beauty.

In truth, accountants – and especially insurance agents – typically have several hundred customers each. So I think that, as the relationships develop, we'll see the referral rates turn out to be much, much higher – and my estimates to be very conservative. Even so, based on existing ICRD merchant customer activity information, 855 new merchants would equate to approximately ... well, I don't have an exact estimate, but it would be millions in additional annual revenue. The Company would, in essence, pick up approximately 570 new salespeople – ambassadors for ICRD – all of whom will be rewarded with new-account bonuses and residual card-transaction royalties.

Clearly, each of these joint marketing agreements is good for all concerned ... good for the referring party; good for the merchant; good for ICRD. It's been my experience that the best business deals are the ones where everybody wins. This partnering arrangement is just such a deal.

The E-chx Kicker

And I haven't even mentioned the probable E-chx impact! While a certain percentage of the clients of an accountant or an insurance agent are simply businesspeople, 100 percent of E-chx customers are business owners – people like me, who transact credit-card business daily. Therefore, E-chx alone potentially presents ICRD with 6,000 more merchants – pizza parlors, coffee shops, tanning parlors, beauty salons – all of which process credit card sales.

These are also the kinds of businesses that are learning to mimic the success of companies like **Starbucks** – companies that hook their clientele into repeat business by offering “gift and loyalty”

programs. Here, I'm referring to the increasing popularity of specialty "smart cards" that are tailored to a specific business to build brand-name recognition and, more importantly, encourage repeat business.

As long as I've got you, I'd like to comment on **Amarillo Biosciences, Inc. (NASDAQ/BB: AMAR – \$0.38)**. There is a small chance that I'll have a meeting with Dr. Joe Cummins on October 9. At least I hope chances are small because, as much as I'd like to see him in person and pick science from his brain, odds are good that he'll be in New York on business. Therefore, if I see him in Amarillo, it will be to talk about money. If he's in New York, it will be because he's making us money. So, ironically, it will be in the best interest of stockholders if Joe is in my favorite city while I'm in his favorite town.

Either way, it's good – and, either way, I'll be in Amarillo on Tuesday to meet with my Editor, Larry D. Spears, to review a book idea, eat a good Texas steak and pick up my black Corvette ... finally! Then, the plan is for me, my lady friend and the second fastest car I own to venture forth with verve – and the assistance of the latest in anti-radar technology, the Valentine One,TM which senses radar signals in front of the car, as well as anything black, white and ugly that tries to sneak up from behind.

With said device, good humor and the long arm of my aforementioned Century City attorney as our guardians, we shall rapidly move westward to Albuquerque, where we hope to experience the world's greatest Balloon Festival. Next will come a Papillion Helicopter Tour of the Grand Canyon and some serious roulette in Las Vegas, where I must be on my best behavior ... whatever that means.

As for **Emergency Filtration Products, Inc. (NASDAQ/BB: EMFP – \$0.23)**, it is still a **HOLD**. And **Applied NanoSciences, Inc. (NASDAQ/BB: \$0.45)**, the company that is soon to be EMFP's governing parent, is still a **BUY**. Otherwise, I really have nothing significant to report on these companies beyond that which has already been covered. By way of inference, however, it's worth noting that, today, we got a new subscriber/member out of Omaha – a Mr. Rawlings.

Sophie's Choice

After grilling him with the usual Bush-administration, post-911 account-information questions – i.e., name, address, Social Security number, credit score, favorite color, secret Cayman Islands bank account number, mother's maiden name, her blood type, his blood type, etc. – we took his money. But then, this upstart Mr. Rawlings had the unmitigated gall to ask which of the Stewart Stocks I liked the best.

Sarcasm aside, the truth of this exceptionally important matter is, long term, I'd be very hard pressed to choose. It's a *Sophie's Choice* kind of thing because I deeply believe that the value of each company will increase tremendously over time. Short term, however, the ease of my answer quickens. The pride of the portfolio is International Card Establishment, Inc.

DO own this stock – and DO be willing to pay up for it while it's still so low. This thing is ready to bungee-jump its way back to 30 cents or more in short order – which is why anything under 20 cents is a true bargain. And I can more or less prove it.

Forget that we've got 4,000 Allstate agents on our side. Dismiss the 6,000 E-chx customers in the wings, as well as the force of CPAmerica and its 70 international accounting firms connected to 15,000 clients worldwide. Temporarily dismiss that I was very wrong about this stock at an earlier some point. Times have changed – along with the Company's fortunes and misfortunes.

Soon (before year-end), I will put 50,000 *Stewart Reports* in the mail featuring this stock – ICRD stock – sending it to leased mailing lists targeting "known buyers" of aggressive investments. My goal is to replace the 300 to 400 subscribers I lost by being wrong the first time – and attract perhaps five times that many new shareholders to the ICRD roster. It won't be cheap – but that's how much I believe in this Company. Be smart. Be pragmatic. Think about this time, this stock, this price relative to this value – now.

If $MV = R$, It's a BUY

If you're uncertain about the validity of that last statement, allow me to show you a simplistic, yet intelligent profit equation to put ICRD's value into perspective:

In the above equation, "MV" stands for "Market Value," and "R" for "Revenues." As simple as it is, the logic behind the formula is sheer genius. The analyst who came up with it was looking for a way to value emerging-growth stocks – stocks just like ours – prior to the stage when they actually begin to show a profit. He surmised that adult corporations typically send about 5 percent of their gross revenues to the bottom line. Since 5 percent is one-twentieth of 100 percent, the theory holds that, if you are paying 1X revenues for a young company, then you are probably buying the stock for about 20X its theoretical earnings. With the present NASDAQ 100 selling for 21X, the P/E ratio is entirely in line with today's general market values.

If we apply this theorem to ICRD as it stands – and with absolutely no benefit given to the probable contributions of the new business that E-chx, NAPAA and CPAmerica will provide – we have a Company doing about \$10 million in annual revenues. Its present market cap, even after last week's bump to the upside, is just \$4 million.

This strongly suggests that International Card Establishment is selling at a 60 percent discount to its probable value. And, again, this allows nothing for future growth, or for the fact that September was probably its biggest month ever – or for the reality that it is already running at or near a break-even and has no debt. I really think this thing is an excellent **BUY** right now, up to at least 25 cents per share. There are just too many good things happening right now for this not to be a 50 cent stock within a few short months.

The Next Regularly Scheduled HotLine Update ...

Remains tentatively planned for October 29, 2007 – or sooner should events necessitate.

As always, thank you for subscribing!

J. David Stewart

Analyst and Publisher, *The Stewart Report*

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