

# THE STEWART REPORT HOTLINE

Subscriber Update for Monday, February 4, 2008

My editor and I both agreed that, even though we just gave you a report on Amarillo Biosciences a few days ago, a fast and timely follow-up is now appropriate to bring you current on **Applied Nanoscience, Inc. (NASDAQ/BB: APNN)** \$0.42.

As with AMAR, the major payday in Applied Nanoscience is tied directly to the NanoMask's FDA clearance— except **more so**. But, instead of having five applications in the works, as Amarillo does, Applied Nano has just one – its proprietary silver nano particles. Then again, when an application has virtually universal capabilities – such as DOS or *Velcro* – one application is all you need.

More importantly, Applied Nanoscience could be ready for its future merger partner **Emergency Filtration Products, Inc. (EFP)**, to submit its application to the FDA as early as the first week in March.

Said submission would be the culmination of years of effort – both jointly and independently – by EFP and APNN. The goal since EFP **CEO Philip Dascher** took the helm has been to prepare for the FDA to such an extent that approval would almost be a foregone conclusion. That's because Dascher – as well as Applied Nano's **Tom Allen** – carefully followed the testing protocol approved by the FDA. This was critical since there is no other product on Earth quite like it. Before APNN, use of nano-coatings for filters were an unexplored dimension.

As explained a dozen times prior to the merger agreement, the filter used in the NanoMask filters out 99.9 % of all pathogens with which it comes into contact. But, when you couple those attributes with millions of molecular-sized nano-particles to devour every pathogen in their way, you have a true 21<sup>st</sup> century medical technology. The two-pronged ability to filter out most contaminants and eradicate the rest was – and still is – a superior approach to filter technology.

Sailing in uncharted waters requires an entirely new set of charts. To that end, the product had to succeed in three main test areas, among others. They essentially have to do with tests of time, safety and durability (particularly as it has to do with shipping).

The time test relates to the simple, yet highly critical question of the filter's anticipated shelf life. Succinctly put, "If the product doesn't have shelf life, then we haven't got a product." Assuming a successful shelf life test, there will be a product

That was two weeks ago ... maybe three. , A successful extended shelf life will ensure that government, industry and private-sector customers will be able to stock up on EFP-branded emergency filtration nano-masks. This is why sales will be huge from the very beginning. (Of course, no product is expected to stay fresh forever, so the mask is the razor and the replacement filters will be the blades.)

The safety issue will likely turn out to be a non-issue. Originally, human safety was the chief concern – mainly because: 1) Human safety is The No. 1 Concern of the FDA; and, 2) It was feared that the inhalation of such tiny particles might be a risk factor.

In the final analysis, however, an imminent safety assessment report will probably resolve the issue favorably. The independent report is being prepared by renowned nanotechnology and medical experts at an East Coast university

Durability is a subject I covered more than a year ago when I described a standardized FDA test known as “Shake, Rattle and Roll.” Actually, it is a series of tests to simulate the wide and varied impact of shipping – repetitive motion, sudden impact, prolonged hot and cold, changes in air pressure, etc. These tests are being conducted by EFP, so I phoned Philip Dascher for a progress report. Cumulatively, he envisions everything being wrapped up as early as February 23. However, he also cautioned that this was a perfect-world date, so he asked that I move the timetable for our earliest expectations to the first week in March – which I have.

Human protection against bacteria, fungi and virus at the molecular level is worth a lot of money in the post-9/11 world. From macro to micro, from military to mainstream, from the air ducts of the Pentagon to the cabin of Air Force One, Applied Nano’s technology is remarkably adaptable to almost any filter media. Some tailoring is required – most involving minor alterations to the binding agent that affixes the nano particles to the host media. That aside, though, the roster of potential uses for the formula is almost unlimited.

Of course, the first sales will be nano masks for government stockpiling programs to defend against bio threats – whether natural or the result of manmade acts of terrorism. The pent-up demand for these masks is large and immediate. And, remember, APNN’s future merger partner EFP could receive that approval shortly after submission.

If you have yet to take a position in APNN, now is most certainly the time for you to re-think the speculative upside value of this stock. It could be a real king-maker – and in short order.

Applied Nanoscience, Inc., is an **Immediate Speculative BUY**.

**International Card Establishment, Inc. (Nasdaq/BB: ICRD \$0.06)** will be featured next – as in almost immediately. Certainly, the stock is not trading well at all, but neither I nor anyone else knows why. All ostensible news is positive. Rather than wait for my report, you should look at the stock right now. I see a very high probable return for the near-term and over the next 12 months, with a very limited downside from this level. **BUY**.

A handwritten signature in black ink, appearing to read "J. David Stewart". The signature is fluid and cursive, with a long horizontal stroke at the end.

**J. David Stewart**

Analyst and Publisher, *The Stewart Report*

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