

**The Telephonic Meeting For Shareholders  
e-Smart Technologies Inc.  
19915338  
Mary Grace  
December 27, 2007  
3:00 pm Eastern Time**

*Operator: Good afternoon, ladies and gentlemen, and welcome to today's conference call. During the duration of the conference, participants will be in a listen-only mode. At the end of the informational conference, pre-submitted questions will be answered. I'd now like to turn the call over to the CEO of e-Smart, Ms. Mary Grace. Ms. Grace, you may begin.*

Mary Grace: Thank you. Hello and thank you to all of our dear e-Smart family of shareholders, to our board members, management, inventors, engineers, and employees, and all others who have joined us today. The purpose of this shareholder conference call is to report to our shareholders regarding developments and status of operation to e-Smart and to respond to any queries from shareholders. As I said to you in my last Chairman's Newsletter, I know that all of you had been anxious to obtain updated information about the Company's activities. As I also said, I'm very pleased to report that due to an enormous amount of hard work and dedication, our progress is substantial. I detailed this in brief in the Chairman's newsletter, and I'm happy to have the opportunity to provide more information and details to you on this shareholder conference call.

During this call, I will be discussing the past year; and in addition to detailing the progress we have made, I will also detail some of the challenges that we have faced and where we are today.

In general... Just one second please. In general, the Company faced some difficult issues and has worked hard and continuously to overcome them, but it has cost us time and resources and delayed our progress. Over the last six months, the Company has pressed ahead with its business plan and has focused on both short-term and long-term financing commitments, and I think you will be pleased to hear where we are today and our plans for 2008.

I had been advised that I must begin with the legal statements and disclaimers, and I quote from the text from our Legal Counsel, "Understand that this information cannot be provided to only a few, to the exclusion of others, because it is improper and much of the information that I will provide today is not yet public and so you are not permitted to use the information to trade in the securities of the Company. In addition, I'll be describing developments that are not yet finalized and telling you what we plan for 2008. Those are our forward-looking statements, and I'm required to emphasize that those are statements of plans, opinions, beliefs, and intentions.

Now our Information Session can begin. First and most important is e-Smart remains a Company with valuable assets and is continuing to increase the value of its assets and is poised to commercialize those assets in a market that presents enormous opportunities internationally and in this country. The development of the technology has occurred over many years with our initial systems development commencing in 2001 and more refined products developed each year thereafter. Many of you have asked the same question: Why have we not brought the product to the market, and why has statements issued by the Company not been born out by subsequent events? The answer to this question is this: Our focus after 9-11 was almost exclusively on the use of

this product to enhance the security of the United States. With our Washington, D.C.-based lobbyists and consultants, we had many productive meetings and conversations with federal, state, and local governments; and we were in advanced stages of discussions to put in pilot programs using our technology, but we faced two substantial obstacles. First, it turned out that the government was not able to move forward with the consensus of opinion to implement the wide use of biometric technology at that early stage. Programs and projects were envisioned discussed but did not proceed because of the government's hesitation to go forward with wide scale biometric technologies before now, for a number of different reasons, not the least being the serious concerns and objections raised regarding violations of personal privacy and biometric technologies being the ultimate big brother. Well, even today, biometric technologies are still not widely used for domestic security by the government to combat the widespread fraud and abuse that exists in areas including Social Security and Medicare, nor is there widespread use by Homeland Security of integrated biometric protection of all of our ports, borders, or customs in very limited amounts though. However, finally the use of biometrics as a solution for border control and for homeland security is being emphasized by presidential candidates from both the Democratic and Republican parties, and we believe we will finally have the opportunity to demonstrate the superiority of what we believe to be the superiority of our biometric technology and pilot projects in 2008 with the guidance and help of our outstanding homeland security consultants at City Toffs\* in Washington, D.C.

The second obstacle that the Company faced was the impact of the legal programs encountered by a consultant to the Company who is one of the Company's founders, Wayne Drizin. At the time the Company was founded by

myself, Tamio Saito, and Wayne Drizin, neither Tamio Saito nor I were aware of Wayne Drizin's legal problem or any investigation regarding his prior business activities, nor was it disclosed to us by Wayne Drizin. Those of you who know Wayne Drizin are aware that in 2001 he was arrested for criminal offenses relating to his business activities prior to his involvement with e-Smart. At that time, I and others in the Company reviewed the issues and we were assured by both Wayne Drizin and his legal counsel that the matter would be resolved in Wayne Drizin's favor. But this was not the case and his legal issues damaged and delayed our progress as we struggled with the problems of a Company representative facing criminal charges. In the end, Wayne Drizin was convicted of those offenses and in 2004 he was sentenced and his conviction became final. We then took steps that we had to take to reduce his role in the Company and thereby reduce the damage to the Company. But in the meantime, the Company and its contracting opportunities, particularly government opportunities and funding opportunities, were affected by his status as a convicted felon. The steps taken to reduce the damage to the Company from Wayne Drizin's conviction resulted in additional delays because of Mr. Drizin's reaction to his lesser role in the Company. Last year as we were preparing to deliver our product to contracts in Asia, Wayne Drizin took a series of steps to divert the technology and corporate opportunities away from the Company and to himself and his associates. Drizin aligned himself with one of our vendors, a man named Michael Gardiner, who was coordinating our manufacturing and about the same time, unbeknownst to the Company at the time, Michael Gardiner pled guilty to security fraud in a case related to claims made that his company could make gold from volcanic ash. Wayne Drizin and Michael Gardiner, through their control of the manufacturing facility to which the Company had outsourced the work, which had the Company's property, our components, Super Smart Cards,

manufacturing specifications, etcetera, took possession of the Company's property and tried to steal the technology from the Company. Drizin and Gardiner fraudulently tried to patent technology developed by the Company and resorted to tactics that we considered extortion to misappropriate the Company's technology and contracts. We tried to resolve the matter; and when that failed, we filed an action in the Northern District of California to prevent their efforts to take and use the Company's technology. We immediately obtained a court order to prevent any use of our technology which they had stolen and again, however, we faced delays because of Drizin's and Gardiner's theft of work product and components. While attempting to get Wayne Drizin and Michael Gardiner to comply with a court order to return our property and believing it would be returned in compliance with the court order, we continued our business; and in the end, during this time, our great team of engineers rebuilt what had been stolen and they built it better, more advanced, and cheaper. We filed a number of patents upgrading our original technology and invented new processes, established a better research and development production and engineering facility in Korea, entered into strategic developmental relationships with three universities, and have come up with the state-of-the-art technology and substrate which experts believe no one else in our field has and which dramatically cuts our cost and can allow us to undercut the price of competitors and increase revenues we produce from our latest technology. Though this would've been the natural progression of the technology with our extraordinarily bright inventors and engineers, the fact is that in adversity all in the Company forged forward with the determination to succeed and increase value for the Company and our shareholders. Yes, we have been damaged and delayed by Drizin's legal problems and then by his and Michael Gardiner's affirmative steps to try to steal the technology from the shareholders and by those who assisted them, lawsuits

which we estimate caused the delay of a year and a half to deliver our technology and a loss of substantial estimated revenues which should've been produced last year had they not committed their act of theft. But we never stopped using all of our efforts to preserve that value for you, our shareholders, and to develop an even better product and find the best opportunities for commercialization of that product.

As a result of the delays, however, our shareholders were frustrated, as would be expected. Most have been very supportive and a few have been angry and some very angry. One demanded over double the money he invested returned and stated that he would complain to the FCC if he were not paid. The Company's Counsel did not agree and the Company learned that the FCC had begun an investigation regarding loans by that shareholder and others to Intermarket Ventures. Another shareholder has stated that a shareholder board has been call in, which has confused some shareholders, and so to repeat what we posted in this regard on the Web site, I quote, "To the shareholders of e-Smart Technologies, the Company has recently been made aware of communication being circulated by one of our shareholders who claims they have created a board of shareholders and is apparently seeking to have himself elected or designated as a shareholder representative. Because his communications are creating confusion among our shareholders, the Company wants to confirm that the Company does not have a Board of Shareholders and has no information that this individual represents any significant group of shareholders. The Company is fortunate to have many dedicated and responsible shareholders and will continue its effort to address the issues and questions raised by those shareholders," and I won't read the rest of the posting as I'm sure most of you all have already read it.

Now I'm going to ask the Company's Legal Counsel, Maranda Fritz, who is a lead attorney in the litigation and who's working on the FCC matter, to give a report regarding the status of both of these. Maranda.

Maranda Fritz:

Thank you, Mary. I want to address first the litigation that began in the Northern District of California that was a result of the actions taken by Wayne Drizin and Michael Gardiner. As Mary Grace has indicated, this litigation was necessitated by our concerns regarding their possession of some of the Company's proprietary information, and the litigation was commenced primarily to insure that no use could be made of that technology. We immediately achieved a couple of very significant goals in the litigation, most importantly the court immediately ordered that they could not use any e-Smart technology; secondly, the court ordered that any property that they possessed belonging to e-Smart had to be returned to the Company. We're still going through that process of obtaining the return of all the Company's property. But at this point, we're moving forward steadily. The status right now is that the litigation is moving into the phase where we will continue the process of seeking a permanent injunction to prevent any use in the future of information that they received regarding e-Smart's technology, and we will seek to recover for the damages that they caused, including those that resulted from any delays in our ability to fill our contracts.

Another event occurred because last October, as I'm sure everybody knows, the first of our patent applications was granted. The grant of that patent application apparently caused great concern with Drizin and with Gardiner and resulted in a filing by them of a separate action in the Southern District of California in which they are seeking to claritory *[sic]* judgments or orders that they are not in violation

of our patents. We received those pleadings; the pleadings were analyzed, and the pleadings appear to be insufficient on their face. As a result, we filed motions in that case in the Southern District, motions to dismiss that pleading, and those motions are scheduled to be heard in February.

Finally, Mary Grace referred to the SEC issues that I've also been dealing with. As a general matter, throughout 2007, we've been continuing to work on all public filings in order to try to insure that there was no delinquency in our filings. The status of that is that there are two further reports that are under final review right now, and I would expect that you're going to see those filed within the next week. By the end of the year, it is our goal and belief that we will be completely current in our filings. At the same time, throughout the course of this year and prior to this year, we received periodic comments and questions from the SEC that relate to the contents of our public filings and so we've gone through a process of responding to any questions and any comments that we've received from the SEC. More recently, we've also received requests for information from the SEC, which appear to focus on certain loan transactions, loans made to Intermarket for the benefit of e-Smart. We've received those requests for information; we've reviewed them, and we're in the process of complying with all requests for information that come from the SEC.

There have also been a couple of other legal issues that relate to documentation for some transactions by certain shareholders, and I just wanted to emphasize that we have begun and we are continuing to try to make certain that all of those issues are being addressed. I understand that there's been frustration in part because of the fact that I wasn't able to deal with all of those issues as quickly as I would've liked. In part, because of that, there are now two other individuals who

are working to make sure that any of these shareholder issues are resolved. One is Beverly O'Meally in our New York office. In addition, and to assist with that process, Mary Grace has brought in another attorney, a gentleman named Gerard Casele and he specifically will be taking care of any issues that relate to, for example, documentation or restrictions on share certificates. As I'm sure most of you know, once a two-year period has passed, it's likely that any restrictions can be removed from the share certificates, but those are questions that now Gerard Casele will be dealing with and hopefully will be able to deal with all of those issues in a very timely fashion.

That's it Mary.

Mary Grace:

Thank you Maranda. Next I want to detail the substantial progress achieved by all in the Company who've worked so hard to make e-Smart successful and create value for you, our shareholders. These activities have occurred this year, and they involve our technology, our contracts, and our financing. Starting with the technology: At our new Production and Engineering Research and Development Facility in Seoul, our engineering staff has been expanded under the leadership of our CTO Tamio Saito. Our great team of engineers have and continue to invent, develop, and patent new more advanced cutting edge technologies including new centers and they've submitted their R&D plan to the Board, which includes producing a number of different phased cards, including a first generation, second generation, third generation, different sensors and processors and sub, using different substrates that will be incorporated in the different types and models of the Super Smart Card. I received a call from our CTO Tamio Saito, also from Asia, and just received a report this morning from our Managing Director of e-Smart Career, Richard Kim\*, informing me that our

newest production manufactured working Super Smart Card has just been rolled out in Korea and tested today. We thank and we congratulate our CTO Tamio Saito and all of his great team of engineers and inventors at our P&E Center and R&D Center in Korea, Richard Kim and our excellent e-Smart Career staff who provided support, and to those in the U.S. who did also. We thank all of them for their hard work and brilliant accomplishment. Because of what I and many others considered the genius, intelligent, and talent of our inventors and engineers and they're astute management of resources, we've been able to create this amazing technology which others have said would have cost a huge company like Schlumberger or Samsung or NEC perhaps as much as \$100 million to create and develop. The value of our Company is in this technology and in our Company's contracts that we work so hard to get. In addition to this technology, our inventors working closely with our excellent Patent Counsel and patent consultants and coordinators have this year in 2007 filed 13 patents on new and upgraded technologies, which I'm looking forward to the Company and our shareholders having the opportunity to benefit from in the future. As I believe you all are aware, the United States Patent Office granted to e-Smart the patent for Secure Biometric Verification of Identify which Maranda just detailed for you; and for any that do not know, it's related to the Super Smart Card with an onboard sensor and onboard processor. This was an important development and a milestone for e-Smart as the Company now has the highest level of protection from infringement and misappropriation of this unique technology, which was of great concern to us as we went out to the marketplace that it would be copied by the larger companies. It is the first patent of what we expect to be many patents granted and much credit is due to our talented and dedicated team of engineers who have never wavered from their commitment to creating this advanced cutting edge technology. As most of you all are aware, but for the

ones who are not, it is listed in the Company profiles on the Web site that Tamio Saito, our Chief Technical Officer, invented the first IC Smart Card more than 30 years ago while at Toshiba, and he patented the first Smart Card with a biometric in 1983, which was years before 9-11 when others began to think about this type of biometric technology. With the support of our loyal shareholders, he and his team of engineers had and continue to move the biometric card technology generation patent today.

Regarding the license to e-Smart for this technology, the current license from our IVI to, it's from IVI, the parent, to e-Smart for the Biometric Verification of Identity and this license is being expanded to lengthen the licensing period with that period to begin from the date of October 2, 2007, which is the date the U.S. Patent Office granted the Company's core patent, through the terms of patent to be renewable in accordance with the patent.

I'm also pleased to give you a trademark status report. A number of trademarks have been applied for and the U.S. Patent and Trademark Office has granted the trademarks for our Company name, e-Smart, and for our product, the Super Smart Card. In the past, a number of people have noted that other companies use the same name, e-Smart. We now have a Company, our Company name trademarked and there should be no other company in our field by the same name in the future.

Regarding our production in engineering and manufacturing, our Production and Engineering Center in Seoul will enable to the Company to have an Asia-based manufacturing delivery and quality control division. We have entered into strategic manufacturing agreements and relationships with Samsung, one if not

the largest manufacturer of Smart Cards in the world; one of the largest Flex Circuit manufacturers in the world, manufacturers for companies like Apple, Motorola, IBM among others; and we have been and are co-developing with equally well known companies and entering into additional manufacturing and co-development agreements in Asia with universities which will enable the company to mass produce our state-of-the-art cutting edge technology and deliver to and implement the Company's contracts and to generate revenue. Now our Marketing Team in Korea that by our outstanding managing director, Richard Kim, has done an amazing job entering into the strategic agreements with Samsung, Daewoo, and others and entering into agreements to deliver our technology throughout Korea, Asia, and other countries. We are working to expedite the manufacturing installation and implementation of our contracts in Korea; and our plan, which includes the rollout of the first project in Seoul followed by our (inaudible), Mybi and Gwangju City projects. The marketing report from e-Smart Korea was submitted to the Board and it provides lengthy details of which I will try to briefly summarize. The projects in the Marketing Report include the Ukash (inaudible) Money Project, Gwangju, U-city Project, Busan Hamara\* Card Project, (inaudible) project, a major bank project we cannot release the name yet, a biometric fingerprint center, IC Card Project, Online Affiliated Card Project. The online market consists generally of eCommerce and ticketing service companies. The Game Card Project profits in Korea's online game market are estimated at \$1 billion, and the market is dominated by Internet games rather than PC games. The Educational Card, Korea's education market is developing in a constant manner. The Campus Card, Korea has 173 colleges and universities with an estimated 2 million in staff and 2,082 high schools with estimate of 1.8 million students that with our partner Samsung we are pursuing. The Corporate Card is Korea's 11 largest companies, one public and ten private

companies have 125 subsidiary companies, an estimate of 600,000 employees and we're in negotiations; this is for the Employee Card. The Elderly Welfare Card there in Korea, they estimate 4.3 million aged people who are over 35 will get their benefits on such card and will not have to show their IDs when they got onto public transportation and other places, everything would be done on the card. The Tourist Card for the tourists, they estimate at, just Cheju alone the 5 million annual visitors the Korean government estimates that visitors spend more than 1 billion a year in Cheju Island, which is one of their largest tourists attractions. Other projects include: The Egypt Super Smart Travel Card Project with our partner Daewoo International, and it would be a foreign tourist card. Vietnam Bank Project with our partner Daewoo International which would be a bank payment card. Turkey Istanbul City Card Project with our partner Daewoo International. (Inaudible) Russia AFC Card Project with a (inaudible) Municipal Authorities. Electronic Voting Card Project in Indonesia. Prepaid Card Project in Indonesia, and Samsung would be our partners there in Kenya. With our partners Daewoo International and Samsung S1 a banking card which would be prepaid, debit, credit, and cash card and with the transaction fees being paid to the Company. In Kyrgyzstan and Uzbekistan, the companies that had problems in the reorganizations of their government, would still like, our projects there with Daewoo International will go forward and Daewoo International has been following up on them. The contracts we will focus on in 2008 first are the ones with the best terms for the Company and the best potential for the greatest profitability. I said... As I said, our value is our technology and our contracts.

Now for these contracts, I don't know if you all are aware, and I'd like to explain a little bit about pursuing these very large contracts. We're very lucky to have these giant partners like Samsung and Daewoo who have done an enormous

amount of work in getting these contracts for and with us. But we compete with the largest companies in the world for these contracts and going after large contracts and participating in tenders for these large contracts is extraordinarily expensive. For example, the U.S. Visit Tender Bid, for that big Accenture spent \$24 million just for the tender and the bid and they won. Lucky had spent \$25 million and they lost, and that is just the cost to prepare the documents and bid for the tender. Now we recently submitted and we're pre-qualified for the port of (inaudible) tender with our partners Samsung and WDC, our partner in Africa. Because of the excellence of our marketing management and staff in Korea who prepared all of the tender documents and the astute management of resources and hard work of our partners, along with the hard work of our partners, we were able to compete with the giant companies without spending \$25 million a tender as the competition does, and we keep getting contracts. In addition to the high price of the tenders, marketing costs are very expensive. One of our Advisory Board members, who serves in a high level position with Raytheon, explained to one of our shareholders that Raytheon and other giant companies can easily spend \$10 million on trips for marketing to make presentations to the same presidents and governments that we made presentations to for the contracts we have signed. Again, it is a credit to the value of our technology, our management, our directors, and the great marketing managers, staff, and partners in Korea and elsewhere that though it is expensive, we are most fortunate that we do not have to spend such enormous funds as our competitors do for the contracts which our company has won.

Now in order to fulfill the contracts most efficiently and grow the company most expediently, as I also outlined for you in the Chairman's Newsletter., new corporate divisions will be created for which experienced senior management

positions will be recruited, all of which we believe will help the Company achieve its goal of becoming the leader in its field. Along with the new divisions in South Korea, the Company also intends to make significant changes in its U.S. operations creating specialized divisions to better utilize the Company's resources necessary to meet the demands of a very busy (inaudible) manufacturing delivery and implementation process. We're in the process of creating four new divisions – an Executive Management Division, a Research and Development Division, a Network Division, Manufacture Delivery Quality and Control Division. An executive search firm led by highly respected professionals recommended by one of our directors will be working to find top candidates with the criteria of having successful international experience in the deployment of payment cards and transaction related banking and financial systems, networks, and related technologies. The first positions we want to recruit will be the CFO of the Executive Division, the controller of the Executive Division, the COO of the Executive Division, the COO of Production Engineering and Manufacturing Division, and a CFO of Production Engineering and Manufacturing Division, a COO of the Project Implementation Division and a CFO of that division. We will start with these, we'll have project managers and other positions that we will want to fill and we will announce the positions as they are filled.

We are currently working to finalize the long-term capital financing to realize our goal of mass manufacturing of our technology and wide scale deployment and implementation of our contracts to establish a global ID and payment transaction network. All year we've been working on both short-term funding to get our products to the advanced stage where they are now and at the same time working to finalize the long-term funding commitments that have been made to the Company and the Board and the Company's Counsel and at the same time

working to establish new channels of long-term capital funding to establish the global ID and transaction network and expand and grow the company as rapidly as possible. The status is we have two substantial financing offers, one that developed in 2006 and another that has been negotiated in 2007.

Excuse me a minute, I'm just going to take a sip of water and clear my throat. I hear I'm getting a little hoarse.

Now I will start again with the Status. We have two substantial financing offers, one that developed in 2006 and another that has been negotiated during 2007. Neither has closed yet, but in both instances, our Counsel, our Board, and I were all given specific assurances regarding both the availability of funds and the intention to close the transactions. With respect to the transactions, they represented to the Board an approved (inaudible) and the Company was again assured as of last week that the transactions will close. We were assured by the principals of these funding who have committed to the funding arrangements. As delays throughout the year in the financing arrangement and negotiations continue, I redoubled my efforts to secure long-term capital financing and the WDC Group CEO with the former ambassador, U.S. Ambassador to Algeria have worked very hard with the government and companies in Africa, in the African country specified in our WDC agreement to finalize and implement the contracts and funding for the same there which they have informed us is just waiting for the latest new Super Smart Cards to be ready to deliver. Our plans are to begin delivering in 2008 and as soon as possible, and we expect the potential revenues from these projects to be substantial based on the performance that we've studied of a company with a similar business plan to ours in one African country which right now generates substantial revenues, and these revenues are being

produced for that company in spite of the fact that they don't even have a secure Smart Card like e-Smart. As a result of my efforts and the others in the Company working to obtain long-term capital financing over the past six months, I am pleased to report that I've been informed of a commitment to finance the manufacturing, all of our manufacturing from a major investor. That agreement has not reduced to writing and so I can only report to you what I was told and what has occurred. After the New Year, I will meet to finalize and put it in writing and it will be announced at that time.

Excuse me, I'm just going to stop a minute and take a sip of water to clear my throat.

Now I'll move to the next issue which is listing the Company on a major exchange. We are currently taking the steps necessary to move, to prepare the Company to be moved from the Pink Sheets to the Bulletin Board and then prepare the Company to be listed on the NASDAQ or another major exchange. In compliance with the SEC and the listing requirements, which Maranda informed you of, and my accounting team, our accounting team has assured us that the, our filings are being brought up to date as we have this meeting and I've been assured that all will be filed hopefully by the end of the year. That's what they are trying to do right now and so as soon as this is done we will inform you.

Now the Mission Statement of e-Smart, all of you know it but I wish to reiterate it, and most of you have read this from the inception of the Company on our Web site: e-Smart's U.S. government services company, Homeland Defense Inc. was founded in response to the 9-11 terrorists attack with a primary mission of providing a system that would protect, defend, and defend our country and

prevent another attack within the U.S. and in countries around the world. Now that I believe we are ready to begin delivering on our new latest cutting edge state-of-the-art technology so we can fulfill that mission and to accomplish this goal we are most fortunate to be represented by the Civitas Group at which firm are highlight respected Director Charles Black serves on the Managing Board. Mr. Black, as I believe most of you know, is recognized as one of the nation's leading public affairs professionals. He served as Senior Advisor to President's Reagan and Bush and served as a principal spokesman for President Bush in the 1992 Presidential Campaign and earlier as a spokesman for the Republican National Committee. In 2000, he served as a volunteer political advisor and circuit spokesman for the Bush/Cheney Presidential Campaign. Mr. Black has managed successful elections for more than ten members of the U.S. Senate and more than a dozen members of Congress. He's joined at Civitas by other outstanding individuals and they include Robert Swindell, who serves as Managing Director and President of Civitas. Prior to joining Civitas, Mr. Swindell spent 17 years as an investment banker at Lehman Brothers, most recently is head of U.S. Technology Banking. His primary client focus was the security, communications, and service sectors. David Howe serves as Managing Director and Chief Operating Officer; and prior to joining Civitas, David Howe served as Special Assistant to the President and Senior Director for Emergency Preparedness and Response at the Homeland Security Council at the White House. While there he coordinated policy on issues ranging from weapons of mass destruction, defense, and counter terrorism, and also served as the chief of staff to the President's Critical Infrastructure Protection Board where he helped draft the National Strategy for Cyber Security. Dr. Penrose Albright serves as Managing Director at Civitas. Dr. Albright is one of the nation's leading experts on Homeland and National Security Policy and Technology. Most recently he

served as the Assistant Secretary of Homeland Security for Science and Technology where he was responsible for developing the Multiyear Strategy Planning Guidance Programs and budget for the Science And Technology Directorate. Prior to joining the department, Dr. Albright served jointly As Senior Director for Research and Development in the Office of Homeland Security and Assistant Director for the Office of Homeland and National Security in the White House Office of Science and Technology Policy. He was a key architect of the President's national strategy for homeland security and directed the formation of the Department of Homeland Security's Science and Technology Directorates. Previously he served as Program Manager for the Defense Advanced Research Projects Agency. Dr. Albright has been involved in the National Security arena since 1986 with emphasis on countering terrorism, protecting against weapons of mass destruction, forward protection, developing and implementing intelligence and special operations technologies, and systems performance analysis of space systems and ballistic and cruise missile defense systems. Gordon Burns serves as Managing Director of Civitas. Mr. Burns has over 25 years of experience in banking, early stage investing and the security technology industry. His primary focus is on companies with leading software security solutions. David Aidekman is a Principal at Civitas. Prior to joining Civitas, David Aidekman served as Special Assistant to the Counselor to the Secretary of State where he advised on national security and homeland security issues including counter terrorism, border and travel security, and intelligence. Prior to this position, he served as Director for Policy and Plans at the White House Office of Homeland Security and the Homeland Security Council where he was responsible for strategic planning and budgeting and government-wide Homeland Security programs.

Hello. I apologize. I was disconnected from the call and I will resume where I left off.

I was telling you about Mr. Aidekman, who's at Civitas. He helped draft the National Security Strategy for Homeland Security and the President's proposal for the Department of Homeland Security. He also served in the National Security Division, the Office of Management Budget where we worked on defense acquisition programs. He has guest lectured on Homeland Security at Harvard's Kennedy School and the U.S. Military Academy at West Point. Rick Gordon a Principal of Civitas is an expert on security technology, business strategy, and early stage finance. Prior to joining the firm, Mr. Gordon a Senior Consultant with a strategic consulting firm that advised large system integrators and emerging technology companies on the Homeland Security market. In this role he managed several large company accounts and developed a comprehensive investment strategy for the Homeland Security market. Kirstjen Nielsen is General Counsel and a Principal of Civitas. She's a corporate attorney and expert in homeland preparedness, response, information sharing, and infrastructure protection. Prior to joining Civitas, Ms. Nielsen served as Special Assistant to the President on the White House Homeland Security Council where her responsibilities included the coordination and oversight of U.S. Government Homeland Security Policy and the development of numerous Presidential Homeland Security Policy Documents on issues ranging from public alert and warning to improve explosive devices. Prior to joining the Homeland Security Council, Ms. Nielsen created and managed offices of legislative policy and government affairs at the Transportation Security Administration, TSA, developing transportation security related policy and drafting legislation relating to security background checks credentialing passenger prescreening service,

surface transportation, and security funding. Mark Shaheen is a Principal of Civitas, and he's an expert on counter terrorism, national security, and the Homeland Security market. A Foreign Service Officer from 1995 to 2003, he previously served as a Senior Advisor for the Middle East in the Office of the Coordinator for Counter terrorism at the Department of State. He was responsible for leading counter terrorism initiatives, coordinating interagency policy, and numerous bilateral efforts in the region. Previously Mr. Shaheen served on the staff of the Secretary of State, and the list of others deemed principals and board and advisory board members of Civitas is most impressive. We are most fortunate to be represented by such an outstanding and fine group of individuals whose representation of the Company, I believe, will provide e-Smart with the best opportunity to demonstrate our revolutionary technology for consideration by the U.S. Government and the Department of Homeland Security to protect our country, secure our borders, and provide security for all our citizens.

This now ends the Informational portion, and I will now address the questions submitted by shareholders.

I want to pose a question to Maranda. Maranda...

Maranda Fritz: Yes.

Mary Grace: I just wanted you available because I was going to ask you to answer one or two of the questions as we go forward.

Maranda Fritz: I'm here. I think many of us got knocked off and it sounds like most of us have gotten back on.

Mary Grace: All right, all right. Well, I'm sorry, we're not quite sure what happened but apologize to all of you on. So we will address the questions submitted by shareholders. Many of the questions, as you will note, were answered with the information provided in the Status Report.

But the shareholder questions are as follows: We have a question about the ownership of the technology. Questions were asked about the ownership of the technology and as stated in our public filings, the technology is owned by e-Smart's parent, IVI Smart, and is licensed to e-Smart for the normal life of the patent. As stated in my Status Report, the current license from IVI to e-Smart for the Biometric Verification of Identity is being expanded to lengthen the licensing period, with that period to begin from the date of October 2, 2007, the date the U.S. Patent granted the Company's, the Patent Office granted the Company's core patent through the term of the patent to be renewable with the accordance with the patent.

Now there were questions asked about contracts and projects. Many of you asked whether we will have at least one project implemented in the short-term and when we will see revenues, Rob Aarons\*, Steve Wills, Mr. Hestad and others. Our focus remains on Korea and our first project is currently in the process of commencing implementation and revenues are expected to start in 2008 as soon as possible. Upon finalization of the long-term funding, all of our projects will be implemented as quickly as possible starting with Mybi, (inaudible)

Gwangju City and following again are the ones with the best terms and the potential of the greatest profitability.

About U.S. contracts: Questions about whether we will continue to pursue opportunities in the United States came from Susan Nanasy and Steve Wills and others and as stated in my Status Report, we are most fortunate to be represented by Civitas and plan to pursue as many opportunities in the U.S., for the U.S. Government as possible in 2008.

Regarding the China Project, Steve Wills and Susan Nanasy and others ask about the status. It is when our newest latest Super Smart Card technology and that is cost effective is ready to be delivered to China, the China market is waiting for us to deliver them; and we plan to start up in China sometime this year, and we will keep you informed.

The teaming agreements and contracts, there were questions asked by Steve Wills and Derek Tom and others who ask about the status of the teaming agreements with Samsung and Daewoo. Both Samsung and Daewoo are great partners. They have just been wonderful for e-Smart, and they're just waiting for the delivery of the cards to the projects on which they will be the system integrators and project implementers and our partners, including one of the projects they ask about, the Student Card Contract and others.

Regarding the manufacturing questions as to who will manufacture our cards were covered in the Status Report and the cost of the cards and the testings of the card, they're currently being produced and manufactured and tested in

Korea. As detailed in the Status Report, tremendous strides have been made this year regarding reduction and the cost of the cards to improve profitability.

Regarding the financing, Michael Stone, Everett Senter and Derek Tom and others ask about the status of our financing and whether we can proceed with Korea and with our current financing. The status of the financing was addressed in the Status Report, and we have continued to proceed with Korea with our short-term funding. I believe all other questions regarding the short-term and long-term capital financing were answered in the Status Report.

There was specific questions Steve Replin asked about the status of the filings, and Maranda covered the Qs that are being finalized as we speak and been working on them diligently. As stated in the Status Report, I'm advised by our accounting team that we will be current at the end or at the latest at the beginning of the New Year.

Steve Replin asked about management and about shares outstanding, and I think all those items were covered in the Company's filings in the 10-K. He asked about the reorganization and the public filings reflect that the reorg and issuance of the preferred shares was effective in May.

Susan Nanasy, Everett Senter and Jim Desmond\* and others asked about listing on an exchange and why it hasn't been done before now. It was not done so yet because we could not achieve that listing on NASDAQ as we had planned until we have revenues from the capitalization. But now we're planning to move the Company first to Bulletin Board and we are in the process of taking steps to do

what we have to prepare the Company to accomplish this, and we will be informing you of details as they evolve.

Everett Senter and Susan Nanasy also ask if we can list on exchange and do it without a reverse split. I am advised that a reverse split would probably be necessary to achieve a listing, and we will advise you further on the details of that as we go forward.

Many asked about the stock price. Regarding the stock price, we are working to begin to produce revenues. We believe that revenues are what drive the stock price and when those revenues begin, we are working hard to make them substantial and to reward all of you, our shareholders.

Regarding officer salaries, e-Smart has paid officer salaries to all our management and engineers, except myself. I have not taken a salary from e-Smart as the filings reflect so that the financial resources can be devoted to the Company's needs first and this is, as I said, in the 10-K filings. I've also not sold any shares of my stock. I believe in our Company and I believe e-Smart can be a great Company and a leader in the field and we're working hard to accomplish that.

A question about how much money has been raised for the Company. As reflected in our filings, the total for two years was approximately \$8 million.

Regarding finder's fees, the questions: We are fortunate to have individuals who believe in the Company and provide consulting services and accept stock rather than money for finder's fees.

Rob Aaron asked questions about our production when it was first announced and aborted, the aborted production of our cards. This was explained in the Status Report relating to the actions against the Company and our shareholders by Wayne Drizin and Michael Gardiner.

Raggett Silverpross Asam\* asked questions regarding contracts. She stated she was told by a fellow shareholder that there were many contracts the Company had signed at the time she became a shareholder and asked if this was true. Yes, it is true, and the contracts have been announced from time, from the time the Company was formed, each contract that we signed in our filings and on our  
W e b s i t e s .

Dan Goldberg asked a question regarding numerous public statements made on the Company's Web site, all of which I believe we were detailed in my Status Report. The questions were concerning new hirings, which have been done and we announced; new facilities, our new Production and Engineering Research and Development facility which has been established in Seoul Korea; money secured in launch operations, which was done through our short-term financing; new contracts, which we have and continue to sign.

Derek Tom asked the following question: When will the stockholder be given financial statements? Derek, these are provided in our 10-K filing.

From Larry Olson\* questions regarding: What has prevented the Company from being successful in the past? Specifics would be greatly appreciated. At this point, management should have a good idea of the issues involved and be able

to communicate them clearly, and I'm asking for clarity. Larry, I hope and believe the details we provided in the Status Report explained the reasons for this and gave you the information that you're seeking for clarity. The other questions you ask, and/or all of you, we welcome them to be sent to shareholderrelations and we will address them individually.

The next question is: What is being done, this is also from Larry, that... What is being done that is different than what has been done in the past to insure that there will be a different outcome than the past has provided this Company? Again, I hope and believe that our plans for the present and future, which I detailed in the Status Report answer this question.

A question regarding the litigation, and Maranda, if you can take this question, and I believe that you answered it, you did answer it already but... The question is: Please provide additional information on the dispute with ID Smart. It is not clear from the news release what your parent company is doing. There is the ambiguous quote missing from the ID Smart press release that e-Smart's parent has filed a motion to dismiss the subject action which will be heard on February 1<sup>st</sup> where its subject action is being dismissed. I will turn this over to our Legal Counsel and Lead Litigator Maranda Fritz to answer.

Maranda Fritz: This again relates to the action that was initiated by Gardiner after our patent was granted, and this was an action that seeks a declaratory judgment with respect to whether or not they are infringing or violating our patent. We received those pleadings; we reviewed them. In the view of Counsel, the pleading on its face was simply insufficient. Because of that, we filed a motion to dismiss in that Southern District action. I should also note that given the fact that there are

issues being litigated between Gardiner and our Company in the Northern District, we also alternatively suggested to the court in the Southern District that if any action is going to go forward that it be consolidated in order to try to reduce the expenses associated with the litigation.

Mary Grace:

Thank you, Maranda. The next question, Alan Lewis wrote: I'm looking forward to listening into the call and have to tell you I find this Company somewhat enigmatic making this contact all the more interesting. Of course, we investors are hoping to hear a lot of exciting things and I know you will not disappoint. Having said that and leaving open the option of submitting another question later, tell me how this Company can garner a little more respect among the investing public? Forgive me, but my feeling is the Company has credibility gap, not what a firm in the security field can afford. Alan, I totally agree. Regarding the Wayne Dizir/Michael Gardiner actions detailed in the Status Report, steps have been taken by the Company to do background checks so no convicted felon or anyone with a questionable background will ever be involved with the Company and security measures have been taken in our new P&E and R&D Center to protect the security of our assets. You are right, as a Company in the security business, we need and we will use our advanced technology to protect our offices and labs in the future to provide what we believe will be the ultimate in security. I hope and believe that with our plans detailed in the Status Report, implemented and revenues being produced as we expect in 2008 that this will earn us the respect of the investing public and benefit us all.

Now others asked questions which were addressed in the Status Report or which have been answered by the Company's Counsel when they spoke with them, so

we will, those are included in, as I said, have been included in the Status Report and by Counsel.

A question regarding management: A number of you asked about whether we were planning on changes to management. The answer is: I look forward to being able to expand our management structure and team. Larry Olson's specific question is: Is there different management being considered? If not, why not? While I'm grateful for the work that has been done, it has not been successful and I would like to see a change in management. Well I appreciate your question, Larry, and I believe that the Status Report provided details and perhaps answers to a question, but I must iterate or reiterate that management and our directors and all in the Company have done an outstanding job steering the Company through very difficult waters to what I believe is a bright new horizon, and I believe we will be successful in 2008. Now one important thing to note is that we are not a Company that has a widget to produce and sell and make and sell at a little profit. We're a Company in a complex business of developing what we and experts believe is a revolutionary technology an advanced complex system that we envision and we're working to establish as a global biometric payment and ID network, A new type of system that I liken to the telephone technology invented a century ago and set up as a global network by AT&T. I have always stated and emphasized this vision and goal to all that I've spoken to. It's taken time and money to get our technology, software, and gateways the state-of-the-art cutting edge state as they are today. It's taken time and money to get the contracts we have which we have competed for with some of the largest companies in competition in the world, as I detailed in the Status Report. It is important to understand that the close relationships that have been formed with, by, and between employees and vendors and contractees who have

worked very hard together to realize this great goal and vision. Now if totally new management stepped in tomorrow, it would not only take them a good part of the year to get to know and understand all of the technology employees, contractees and opportunities and the complexities of the interaction between the different factions and handling the same in this Company. Relationships, as you all might not know, are of the outmost importance in Asia and more so in foreign countries than in the U.S. When new people come in and assume a management position over someone who has been with the Company from its inception or for a very long time, as most have been, the new person is not always accepted and sometime looked upon with suspicion after we have gone through all that we have. This was the case with a recent management candidate, recent management and consultants that we recently experienced. Our highly intelligent and independent sensitive and sometimes temperamental inventors and engineers are very protective of the Company's technologies and sometimes new people in management may not be as sensitive and do not understand the dynamics of handling the valuable human relationships of those who create the assets of our Company and new management candidates need to be highly experienced in this area, also highly experienced in international markets, project and technology management, and financial transaction based global network management, and in addition it would be nice if they spoke a number of different languages. That is precisely the profile we're searching for to add to our management team. Let me say this: The difficulties that we have gone through and come out of are not so very different in most large successful companies also went through when they started up. The key is to handle and conquer them one-by-one. I look at every day as if we're fighting a war on this battle every day to win the crisis to solve and you deal with one at a time; there is a solution to all. All great companies that have succeeded have experienced the same and many

of the companies that fail it's a matter that management cannot handle the constant hardships and stress nor has the stomach or determination nor the sheer force of will to work 24/7 to prevail, and together our key people have and no one is more aware of that accomplishment than the long-term investors who have made very substantial funding commitments which require management, including myself as the current president and CEO, and our directors Tamio Saito and Richard Kim and others to remain with the Company. However, they are in agreement and in order to grow the Company rapidly into A or the leader in the field, the best top management candidates with successful experience in our field and experience in taking small startup companies and growing them rapidly into huge companies and managing huge companies will be added to our management team, need to be added to our management team as soon as the long-term funding transaction is closed, which would be required to attract and contract with such management candidates.

Now I will end the questions with a closing message from Susan Nanasy in her dear and wonderful email in which she so beautifully says, and I quote, "I believe in this Company and have spent many hours praying, hoping, wishing, and sending every type of positive energy and thought to help protect and bring e-Smart every resource it needs to be successful throughout the world. My best to you and the employees of e-Smart, wishing everyone a Merry Christmas and a prosperous New Year. Susan Nanasy." Susan, you and all of you who have seen such lovely, positive, and supportive messages to us, I can't tell you how much and how sincerely and deeply we appreciate it and appreciate to you. On behalf of all the management, directors, inventors, engineers, and valued employees of e-Smart, thank you, darling, so very much.

Now I will close with the closing remarks to just remind you that this shareholder conference call was held to inform you in detail of the status of the Company's business matters in lieu of an official shareholders' meeting. However, in 2008, we are planning an official shareholders' meeting which we are trying to arrange to be held at Mount Vernon, the home of our first President George Washington who gave his life and fortune and sacred honor to protect and defend our country and make it a great country for us today and we too in our own way are trying to do the same. I look forward to meeting all of you dear members of our e-Smart family there and to thank you in person for all of your help, encouragement, and support.

In closing, I will repeat what I said in the Chairman's Newsletter: It is an exciting time for us at e-Smart who are working hard with the support of all of you, our wonderful shareholders, to bring this extraordinary technology to the world. I know that all of you take pride in being part of what we believe to be a world changing technology and system. This is an extraordinarily competitive business and field where smaller companies are often unable to compete with corporate giants. But thanks to you, our shareholders, we believe we will exceed our own expectations. Thank you for your continued belief and support. Our foremost goal is to produce great financial rewards for you all and to realize our vision, to implement a revolutionary technology and system which we believe will create a safer more secure world for you, your children, and your families, and people and children in every country. As a result, we hope to create a more peaceful world for all. God bless you and your families and we wish you, our dear e-Smart family, a glorious 2008.

*Operator: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may all disconnect.*

Please Note: \* Proper names/organizations spelling not verified.  
[sic] Verbatim, might need confirmation.