

PUBLICARD INC
Form 10-K
April 13, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission file number 001-03315

PUBLICARD, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

(State or Other Jurisdiction of Incorporation or Organization)

23-0991870

(I.R.S. Employer Identification No.)

75 Rockefeller Plaza, 16th Floor, New York, NY

(Address of Principal Executive Offices)

10019

(Zip Code)

Registrant's telephone number, including area code: (212) 265 7013

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

None

Name of Each Exchange on Which Registered

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock (\$.10 par value)

(Title of Class)

Rights to Purchase Class A Preferred Stock, First Series

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant Section 13 or Section 15(d) of the Act.
Yes No

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2006, the aggregate market value of the voting Common Stock held by non-affiliates of the registrant was approximately \$748,000.

Number of shares of Common Stock outstanding as of March 14, 2007: 24,940,902

DOCUMENTS INCORPORATED BY REFERENCE

None

PART I

This Form 10-K contains forward-looking statements, including (without limitation) statements concerning possible or assumed future results of operations of PubliCARD, Inc. and subsidiaries, ("PubliCARD," the "Company," "we," "us" and "our" as the context requires) preceded by, followed by or that include forward-looking words or phrases, including "believes," "expects," "anticipates," "estimates," "may," "should," "would," "could," "intends," "plans" or similar. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. You should understand that the possible consequences of "Risk Factors" and statements contained elsewhere in this document could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements.

ITEM 1. BUSINESS

PubliCARD was originally incorporated in 1913 in the Commonwealth of Pennsylvania. Today, PubliCARD's sole operating activities are conducted through its wholly-owned Infineer Ltd. ("Infineer") subsidiary. Infineer designs smart card solutions for educational and corporate sites. This market includes institutions such as corporate campuses, secondary schools and universities. Infineer's ChipNet solution focuses on delivering a multi-functional platform to control access to and payment for a wide variety of applications using a single smart card. The solution has been designed to accommodate integration with a range of third party technologies. Infineer sells its products and solutions to value-added resellers and distributors, and directly to end-users.

Infineer has continued to incur operating losses and negative cash flow. During 2004 and 2005, the Company contributed additional capital to Infineer of \$225,000 and \$150,000, respectively. It is likely that Infineer will require additional capital and at the present time the Company does not have the financial resources to provide such support. Though Infineer decreased its operating losses in 2006, given the Company's lack of available resources, continued operating losses and the bank overdraft (discussed in Item 7A: "Qualitative and Quantitative Disclosures About Market Risk" and in Note 7 to the Company's financial statements), the Company has begun to consider various alternatives. In 2006, with the assistance of an investment banker, the Company commenced an assessment of the value of Infineer, developed an information memorandum and obtained offers for Infineer's potential for sale. This process concluded without a viable offer for the business. The Company's board of directors (the "Board of Directors") has not decided whether to continue with the disposition effort. It is therefore uncertain whether an acceptable offer will materialize or whether any such sale will ultimately be consummated. Any such determination to dispose of Infineer would depend upon, among other things, the amount of potential proceeds of any such sale and require the approval of the Company's shareholders.

The Company has incurred operating losses, a substantial decline in working capital and negative cash flow from operations for a number of years. The Company has also experienced a substantial reduction in its cash and short term investments, which declined from \$17.0 million at December 31, 2000 to \$406,000 at December 31, 2006. The Company also had a shareholders' deficiency of \$964,000 as of December 31, 2006.

Management believes that existing cash and short-term investments will not be sufficient to permit the Company to continue operating past the second quarter of 2007 and the Company will likely cease operations. However, at the time of filing of this Annual Report on Form 10-K no formal plan of liquidation has been discussed with or approved by the Board of Directors. If a sale of Infineer is consummated, the Company will not thereafter have any ongoing business operations. In either case, the Company does not expect that any funds will be available for distribution to its shareholders.

The consolidated financial statements included in this Annual Report on Form 10-K contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As a result of the factors described above, it is unlikely that the Company will be able to continue as a going concern. The consolidated financial statements do not

include any adjustments that might result from the outcome of this uncertainty. The independent auditors' reports on the Company's Consolidated Financial Statements for the years ended December 31, 2006, 2005, 2004, 2003 and 2002 contain emphasis paragraphs concerning substantial doubt about the Company's ability to continue as a going concern.

On October 13, 2006, the Company entered into an Assignment of Shares and Assumption of Obligations agreement (the "Assignment Agreement") with Sallyport Investment Partnership ("Sallyport"), pursuant to which the Company assigned 60,058 shares of Series A Preferred Stock of TecSec, Incorporated ("TecSec") to Sallyport in exchange for \$150,000. In addition, pursuant to the Assignment Agreement, Sallyport agreed to use its best efforts to transfer to the Company or cause to be issued to the Company shares of common stock of TecSec representing 2½% of TecSec's common stock, calculated on a fully-diluted basis and giving effect to shares that may be issued as a result of Sallyport's financing of TecSec during the current year. On October 13, 2006, TecSec confirmed its agreement to issue such shares to the Company.

Pension Obligations

The Company sponsored a defined benefit pension plan (the "Plan") that was frozen in 1993. In January 2003, the Company filed a notice with the Pension Benefit Guaranty Corporation ("PBGC") seeking a "distress termination" of that Plan. Pursuant to the Agreement for Appointment of Trustee and Termination of Plan between the PBGC and the Company, effective September 30, 2004, the PBGC proceeded to terminate the Plan and was appointed as the Plan's trustee. As a result, the PBGC has assumed responsibility for paying the obligations to Plan participants. As a result of the Plan termination, the Company's 2003 and 2004 funding requirements due to the Plan amounting to \$3.4 million through September 15, 2004 were eliminated.

Under the terms of the Settlement Agreement, effective September 23, 2004, between the PBGC and the Company (the "Settlement Agreement"), the Company was liable to the PBGC for the unfunded guaranteed benefit payable by the PBGC to Plan participants in the amount of \$7.5 million. The Company satisfied this liability by issuing a non-interest bearing note (the "Note"), dated September 23, 2004, payable to the PBGC with a face amount of \$7.5 million. Pursuant to the Security Agreement and Pledge Agreement, both dated September 23, 2004, the Note was secured by (a) all presently owned or thereafter acquired real or personal property and rights to property of the Company and (b) the common and preferred stock of Infineer and TecSec, owned by the Company.

On July 27, 2006, the Company entered into a Payment, Retirement and Release Agreement (the "Payment Agreement") with the PBGC pursuant to which the PBGC and the Company provided for the settlement and discharge of the Company's obligations under the Settlement Agreement and the Note. Pursuant to the Payment Agreement on July 27, 2006, the Company paid the PBGC \$256,000, and agreed that if between July 27, 2006 and July 27, 2011 the Company receives Net Proceeds in excess of \$250,000, the Company will pay to the PBGC 50% of the amount of such excess. As defined in the Payment Agreement, "Net Proceeds" means the amount received by the Company in cash or marketable securities, less the amount of reasonable transaction costs, expenses and debt paid, retained or assumed, from any of (i) the sale by the Company of any or all capital stock of Infineer; (ii) the sale by Infineer of all or substantially all of its assets and a distribution of the proceeds of such sale to the Company; (iii) the sale by the Company of any or all capital stock of TecSec; and (iv) proceeds received by the Company from settlements, buyouts or assignments of claims with respect to insurance policies covering environmental liabilities for which claims were made prior to July 27, 2006. The Payment Agreement further provides that if, on July 27, 2011, the Company exists as a going concern and holds capital stock of Infineer (and Infineer exists as a going concern) or TecSec (and TecSec exists as a going concern), the Company will be deemed to have sold such capital stock for its fair market value, which shall be added to Net Proceeds for purposes of determining the amount of additional payments to the PBGC, if any.

The future payments to the PBGC, based on the Company's receipt of net insurance recoveries of \$163,000 as well as the consummation of the sale of the Company's Series A Preferred Stock of TecSec, is anticipated to be \$31,000. As a result of this settlement of the liability to the PBGC, the Company has recognized a \$7.2 million gain on its Statement of Operations. Given the Company's current financial position, it does not believe that any additional payments will be due to the PBGC on July 27, 2011.

PubliCARD Products and Solutions

PubliCARD, through its Infineer subsidiary, designs smart card solutions for campus environments. Infineer's solutions facilitate card-based payment for a wide variety of services typically found on both corporate and educational sites. Infineer's card-based solutions are currently installed in over 700 sites, primarily in corporate and educational sites in Europe, the United Kingdom and Ireland. Infineer's products and solutions include the following:

- **ChipNet3.** Using a single smart card, ChipNet3 users gain access to, and tender payment for, a wide variety of services typically found on both corporate and educational sites. ChipNet3 delivers applications such as photo

identification, payment for cafeteria, vending machine, photocopy and printing purchases, and access control on a single card platform. Each time a transaction takes place, all details are recorded, such as the date and time, user and item purchased. The transaction details are then processed by a back office software package, utilizing a tracking tool that delivers accurate management information regarding sales and card activity.

ChipNet3 has the ability to accept a range of both contact and contactless smart cards. The solution is scalable and can run in a networked or non-networked environment. The ChipNet3 solution has been structured to allow integration with existing third party applications such as payroll, stock control, physical access control, PC log-on and time and attendance reporting.

ChipNet3 solution is comprised of smart cards, application software and hardware. Each user has a personalized smart card which may feature photo identification, a bar code, magnetic stripe or signature panel, if required. The chip on the card carries the cardholder's personal permission file and may be loaded and reloaded with a cash value which is used for purchasing needs. Hardware includes point-of-sale terminals, unattended point-of-sale terminals, vending station card readers and add-value or card reload stations.

Infiner recently introduced MIDAS, an enhanced version of its ChipNetID product, which allows corporate sites the ability to extend the use of their existing identification cards to include payment at cafeteria and vending stations. MIDAS can operate with a range of contactless smart cards issued by Mifare and HID. MIDAS was developed to be compatible with new identification technologies such as biometrics. Corporate sites can benefit from deploying cashless payments in a facility without the need to replace existing in-use identification and access control cards.

EasySmart. EasySmart is designed to deliver a first experience with smart cards for locations that do not want to pay or do not need a multi-application card system, and has been developed to fill a gap in the market for an entry-level smart card solution providing an administration-free payment system. EasySmart is a stand-alone solution operating with a low cost smart card and is useful for a wide range of locations including colleges, cafeterias and libraries. EasySmart offers card acceptance for PC log-on, cafeteria point-of-sale, self-service centers, networked printing, photocopying and encoding stations. Although EasySmart offers the capacity to run without being networked, it also contains a built-in upgrade path to ChipNet3.

EasyCard. The EasyCard product line delivers a flexible magnetic stripe based solution across a range of applications, including copying, printing, point-of-sale, vending and Internet access. Operating with either disposable or rechargeable thin magnetic stripe cards, EasyCard is a simple to use solution, useful for schools, colleges, libraries and copy shops as well as corporate and government facilities and business parks. Users carry cards, featuring either a cash or unit value, and the appropriate amount is deducted each time a service is used. For those customers not paying in advance for services, account cards can be used, recording the use of a range of services against an individual or department. A full range of support products offer card acceptance at self-service card centers and encoding stations.

Pcounter. Pcounter is a scalable network server-based print management and accounting solution that provides a range of cost control and cost recovery capabilities. Pcounter aims to eliminate waste and misuse and help rationalize and reallocate print resources by providing usage accountability. Pcounter is marketed to schools, colleges, professional services firms, the public sector and corporations.

Sales and Marketing

Infiner sells and distributes its products directly to end-users in the United Kingdom through its direct sales force. Infiner has 10 employees directly engaged in the sale, distribution and support of its products in the United Kingdom. Outside of the United Kingdom, Infiner is represented by over 30 independent distributors and value-added resellers. Key markets include, among others, the United States, the Netherlands, France and Australia. In support of its sales strategies, Infiner also makes use of direct mail campaigns to its customers, advertising in targeted trade media and at trade shows and conferences.

Research and Development

Infineer maintains a technology development plan as an integral part of its business planning process. This plan identifies new areas requiring development in support of identified business opportunities, as well as a program of maintenance and enhancement for existing solutions. Development expenses were \$600,000, \$624,000, and \$716,000 in 2006, 2005 and 2004, respectively.

Competition

Competition in the markets in which Infineer operates is intense and is characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions and rapid changes in customer requirements. The principal competitive factors affecting the market for Infineer's technology products are the product's technical characteristics and price, customer service and competitor reputation, as well as positioning and resources. Infineer's primary competition currently comes from companies offering campus environment solutions, including small value electronic cash systems and database management solutions, such as Moneybox (Girovend), Counter Solutions, Easytrace, Uniware, Cunninghams, Plastic Card Services, MARS, Diebold and Schlumberger.

Some of Infineer's current and potential competitors have longer operating histories and greater financial, technical, sales, customer support, marketing and other resources, as well as greater name recognition and a larger installed base of their products and technologies than Infineer. These companies also have more established customer support and professional services organizations than Infineer does. In addition, a number of companies with significantly greater resources than Infineer could attempt to increase their presence in the marketplace by acquiring or forming strategic alliances with competitors of Infineer, resulting in increased competition.

Intellectual Property

Infineer relies on a combination of copyright and trademark laws, trade secrets, confidentiality agreements and contractual provisions to protect its proprietary rights. Infineer seeks to protect its software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. Infineer generally enters into confidentiality and non-disclosure agreements with its employees and with key vendors and suppliers. Despite Infineer's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of Infineer's products or to obtain and use information that Infineer regards as proprietary. Moreover, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries, making the possibility of misappropriation of Infineer's proprietary technology more likely. The steps taken by Infineer to protect its proprietary technology might not prevent misappropriation of such technology, and such protections may not preclude competitors from developing products with functionality or features similar to Infineer's products.

Employees

As of March 14, 2007, the Company had approximately 26 employees. At Infineer, there are 10 employees involved in sales, marketing and customer support, seven employees in product development, six employees in manufacturing and three employees in administration. The Company considers its employee relations to be good.

Segment Information

The Company's sole operating activities during the last 5 years have involved the deployment of smart card and biometric solutions for educational and corporate sites. As such, the Company reports as a single segment. Revenues by geographical areas for the years ended December 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006		2005		2004
United Kingdom	\$ 2,241	\$	2,422	\$	2,948
United States	349		398		540
Europe (excluding United Kingdom)	537		677		683
Rest of world	187		120		224
	\$ 3,314	\$	3,617	\$	4,395

The Company has operations in the United States and United Kingdom. Identifiable tangible assets by country as of December 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006		2005
United States	\$ 524	\$	1,647
United Kingdom	864		995
	\$ 1,388	\$	2,642

See also the Company's Consolidated Financial Statements beginning on page F-1.

Available Information

The Securities and Exchange Commission (the "SEC") maintains an Internet site that contains reports, proxy and information statements, and other Company related information at <http://www.sec.gov>. In addition, the public may read and copy any materials filed by the Company with the SEC at the SEC's Reference Room, which is located at 100 F Street, N.E., Washington, D.C., 20549. Interested parties may call (800) SEC-0330 for further information on the Reference Room.

ITEM 1A. RISK FACTORS

We do not expect to continue as a going concern.

We have incurred losses, a substantial decline in working capital and negative cash flow from operations for a number of years. We have also experienced a substantial reduction in our cash and short term investments, which declined from \$17.0 million at December 31, 2000 to \$406,000 at December 31, 2006. We also had a shareholders' deficiency of \$964,000 December 31, 2006.

Infiner has continued to incur operating losses and negative cash flow. During 2004 and 2005, the Company contributed additional capital to Infiner of \$225,000 and \$150,000, respectively. It is likely that Infiner will require additional capital and at the present time the Company does not have the financial resources to provide such support. Though Infiner decreased its operating losses in 2006, given the Company's lack of available resources, continued operating losses and the bank overdraft, the Company has begun to consider various alternatives. In 2006, with the assistance of an investment banker, the Company commenced an assessment of the value of Infiner, developed an information memorandum and obtained offers for Infiner's potential for sale. This process concluded without a viable offer for the business. The Board of Directors has not decided whether to continue with the disposition effort. It is therefore uncertain whether an acceptable offer will materialize or whether any such sale will ultimately be consummated. Any such determination to dispose of Infiner would depend upon, among other things, the amount of potential proceeds of any such sale and require the approval of the Company's shareholders.

Management believes that existing cash and short-term investments will not be sufficient to permit the Company to continue operating past the second quarter of 2007 and the Company will likely cease operations. However, at the time of the issuance of this Form 10-K no formal plan of liquidation has been discussed with or approved by the Board of Directors. If a sale of Infiner is consummated, the Company will not thereafter have any ongoing business operations. In either case, the Company does not expect that any funds will be available for distribution to its shareholders.

Accordingly, it is unlikely that we will be able to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The independent auditors' reports on the our consolidated financial statements for the years ended December 31, 2006, 2005, 2004, 2003 and 2002 contain emphasis paragraphs concerning substantial doubt about the Company's ability to continue as a going concern.

Stockholders will experience dilution upon the exercise of options.

On July 21, 2006, in connection with his employment agreement, Joseph Sarachek, the Company's President and Chief Executive Officer, was granted options to purchase 2,837,075 shares of the Company's Common Stock, par value \$0.10 per share ("Common Stock") for an exercise price of \$0.0279 per share. All of these options will vest upon the Company's consummation of a sale, restructuring or other similar transaction. Additionally, upon the consummation of any such transaction, Mr. Sarachek will be granted additional options which (when taken together with the 2,837,075 options already granted to Mr. Sarachek) will represent the right to acquire 10% of the total

outstanding shares of the Company's Common Stock, calculated on a fully diluted basis.

If Mr. Sarachek exercises these options, the Company's stockholders will experience dilution in the net tangible book value of the Company's Common Stock, and the proceeds that stockholders will receive from any sale, restructuring or other similar transaction consummated by the Company.

6

The Company has very limited staffing and will continue to be dependent on the efforts of a small management team; the loss of any key executives could adversely effect the Company.

The Company has a small executive management team consisting of Joseph Sarachek, the Company's President and Chief Executive Officer, and Stephen Spitzer, the Company's acting Principal Financial Officer. The Company has an employment arrangement in place with Mr. Sarachek, but neither he nor Mr. Spitzer are legally bound to remain employed for any specific term. Given the financial condition of the Company, the Company does not anticipate hiring additional executive managers, and the Company's Board of Directors does not anticipate electing additional executive officers. In the event that the services of either of the Company's executive managers were no longer available, the Company and its business could be adversely affected. The Company does not maintain key-man life insurance with respect to its executive management team.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The Company leases the following facilities, which are believed to be adequate for its present needs.

Premises	Purpose	Year of Lease Expiration	Square Footage
New York, NY	Executive offices for PubliCARD	Month to Month	250
Bangor, Northern Ireland	Office and manufacturing for Infineer	2008	12,000

The Company currently subleases its space in New York City from Triax Capital Advisors, LLC ("Triax"). The CEO is an officer and principal shareholder of Triax Capital Advisors. The Company pays 27% of the rent and occupancy costs paid by Triax under its lease, including base rent, electricity, water, real estate tax escalations and operation and maintenance escalations. The base rent payable by the Company is approximately \$3,000 per month.

The Company also leases approximately 12,000 square feet of space in Bangor, Northern Ireland to house the manufacturing and administrative operations of its Infineer Subsidiary. Substantially all of Infineer's 26 employees are currently housed at this facility.

ITEM 3. LEGAL PROCEEDINGS

Various legal proceedings are pending against the Company. The Company considers all such other proceedings to be ordinary routine litigation incident to the character of its business. Certain claims are covered by liability insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a) PubliCARD's Common Stock trades on the OTC Bulletin Board. The following table sets forth the high and low closing sale prices of PubliCARD's Common Stock for the calendar periods indicated (in dollars), as reported by Nasdaq.com. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions. There is no established trading market for the Company's Common Stock.

	2006		2005	
	High	Low	High	Low
First Quarter	\$.07	\$.03	\$.04	\$.03
Second Quarter	.07	.03	.03	.02
Third Quarter	.04	.02	.05	.02
Fourth Quarter	.02	.01	.05	.02

(b) There were approximately 2,185 registered holders of record of Common Stock of the Company as of March 14, 2007.

(c) The Company did not pay dividends on its Common Stock during the prior five fiscal years and does not anticipate paying dividends.

(d) See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding securities authorized for issuance under equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data of the Company presented below for the five year period ended December 31, 2006 have been derived from the consolidated financial statements of the Company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-K.

	Year Ended December 31				
	2006	2005	2004	2003	2002
(in thousands, except per share amounts)					
Statement of Operations					
Data					
Revenues	\$ 3,314	\$ 3,617	\$ 4,395	\$ 4,781	\$ 4,605
Cost of revenues	1,489	1,661	2,010	2,316	2,455
Gross margin	1,825	1,956	2,385	2,465	2,150
Operating expenses:					
General and administrative	1,685	2,017	2,330	2,708	3,235
Sales and marketing	1,034	1,173	1,671	1,844	1,877
Product development	599	624	716	584	605
Stock compensation expense	58	-	-	-	-
Amortization of goodwill and intangibles	-	-	40	40	576
Impairment of goodwill and intangibles	-	782	-	-	1,365
	3,376	4,596	4,757	5,176	7,658
Loss from operations	(1,551)	(2,640)	(2,372)	(2,711)	(5,508)
Other income (expense):					
Interest income	17	27	27	15	71
Interest expense	(34)	(26)	(22)	(12)	(39)
Cost of retirement benefits - non-operating	-	-	(405)	(903)	(795)
Loss on pension settlement	-	-	(2,739)	-	-
Gain/(loss) on investment	150	-	-	(3,000)	(2,068)
Gain on insurance recoveries	337	-	647	4,590	-
Other income/(loss), net	(5)	350	5	428	80
	465	351	(2,487)	1,118	(2,751)
Loss from continuing operations	(1,086)	(2,289)	(4,859)	(1,593)	(8,259)
Extraordinary gain on settlement with the PBGC	7,214	-	-	-	-
Income/(loss) on discontinued operations	139	258	-	-	1,066
Net income/ (loss)	\$ 6,267	\$ (2,031)	\$ (4,859)	\$ (1,593)	\$ (7,193)
Basic and diluted earnings (loss) per common share:					
Continuing operations	\$ (.05)	\$ (.09)	\$ (.20)	\$ (.07)	\$ (.34)

Extraordinary Gain on settlement with the PBGC	\$.29	-	-	-	-
Discontinued operations		.01	.01	-	-	.04
	\$.25	\$ (.08)	\$ (.20)	\$ (.07)	\$ (.30)

Weighted average common shares outstanding	24,940,902	24,767,825	24,690,902	24,469,748	24,179,364
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As of December 31

2006	2005	2004	2003	2002
(in thousands)				

Balance Sheet Data:

Working capital (deficiency)	\$	759	\$	530	\$	1,405	\$	(987)	\$	(548)
Total assets		1,388		2,642		5,073		7,399		7,939
Other non-current liabilities		247		7,728		7,869		3,552		4,990
Shareholders' equity (deficiency)		(964)		(7,151)		(5,159)		(2,928)		(1,002)

No dividends on common shares have been declared or paid during the last five years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

PubliCARD's sole operating activities are conducted through its wholly-owned Infineer Ltd. subsidiary. Infineer designs smart card solutions for educational and corporate sites.

Infineer has continued to incur operating losses and negative cash flow. During 2004 and 2005, the Company contributed additional capital to Infineer of \$225,000 and \$150,000, respectively. It is likely that Infineer will require additional capital and at the present time the Company does not have the financial resources to provide such support. Though Infineer decreased its operating losses in 2006, given the Company's lack of available resources, continued operating losses and the bank overdraft, the Company has begun to consider various alternatives. In 2006, with the assistance of an investment banker, the Company commenced an assessment of the value of Infineer, developed an information memorandum and obtained offers for Infineer's potential for sale. This process concluded without a viable offer for the business. The Board of Directors has not decided whether to continue with the disposition effort. It is therefore uncertain whether an acceptable offer will materialize or whether any such sale will ultimately be consummated. Any such determination to dispose of Infineer would depend upon, among other things, the amount of potential proceeds of any such sale and require the approval of the Company's shareholders.

The Company sponsored a defined benefit pension Plan that was frozen in 1993. In January 2003, the Company filed a notice with the PBGC seeking a "distress termination" of that Plan. Pursuant to the Agreement for Appointment of Trustee and Termination of Plan between the PBGC and the Company, effective September 30, 2004, the PBGC proceeded to terminate the Plan and was appointed as the Plan's trustee. As a result, the PBGC has assumed responsibility for paying the obligations to Plan participants. As a result of the Plan termination, the Company's 2003 and 2004 funding requirements due to the Plan amounting to \$3.4 million through September 15, 2004 were eliminated.

Under the terms of the Settlement Agreement, effective September 23, 2004, the Company was liable to the PBGC for the unfunded guaranteed benefit payable by the PBGC to Plan participants in the amount of \$7.5 million. The Company satisfied this liability by issuing the Note, dated September 23, 2004, payable to the PBGC with a face amount of \$7.5 million. Pursuant to the Security Agreement and Pledge Agreement, both dated September 23, 2004, the Note was secured by (a) all presently owned or thereafter acquired real or personal property and rights to property of the Company and (b) the common and preferred stock of Infineer and TecSec owned by the Company.

On July 27, 2006, the Company entered into the Payment Agreement with the PBGC pursuant to which the PBGC and the Company provided for the settlement and discharge of the Company's obligations under the Settlement Agreement and the Note. Pursuant to the Payment Agreement, the Company paid the PBGC \$256,000 on July 27, 2006, and agreed that if, between July 27, 2006 and July 27, 2011, the Company receives Net Proceeds in excess of \$250,000, the Company will pay to the PBGC 50% of the amount of such excess. As defined in the Payment Agreement, "Net Proceeds" means the amount received by the Company in cash or marketable securities, less the amount of reasonable transaction costs and expenses and debt paid, retained or assumed, from any of (i) the sale by the Company of any or all capital stock of Infineer; (ii) the sale by Infineer of all or substantially all of its assets and a distribution of the proceeds of such sale to the Company; (iii) the sale by the Company of any or all capital stock of TecSec; and (iv) proceeds received by the Company from settlements, buyouts or assignments of claims with respect to insurance policies covering environmental liabilities for which claims were made prior to July 27, 2006. The Payment Agreement further provides that if, on July 27, 2011, the Company exists as a going concern and holds capital stock of Infineer (and Infineer exists as a going concern) or TecSec (and TecSec exists as a going concern), the Company will be deemed to have sold such capital stock for its fair market value, which shall be added to Net Proceeds for purposes of determining the amount of additional payments to the PBGC, if any.

On October 13, 2006, the Company entered into the Assignment Agreement with Sallyport, pursuant to which the Company assigned 60,058 shares of Series A Preferred Stock of TecSec to Sallyport in exchange for \$150,000. In addition, pursuant to the Assignment Agreement, Sallyport agreed to use its best efforts to transfer to the Company or cause to be issued to the Company shares of Common Stock of TecSec representing 2½% of TecSec's Common Stock, calculated on a fully-diluted basis and giving effect to shares that may be issued as a result of Sallyport's financing of TecSec during the current year. On October 13, 2006, TecSec confirmed its agreement to issue such shares to the Company.

The future payments to the PBGC, based on the Company's receipt of net insurance recoveries of \$163,000 as well as the consummation of the sale of the Company's Series A Preferred Stock of TecSec, is anticipated to be \$31,000 and is included in Note Payable. As a result of this settlement of the liability to the PBGC, the Company has recognized a \$7.2 million gain on its Statement of Operations. Given the Company's current financial position, it does not believe that any additional payments will be due to the PBGC on July 27, 2011.

The Company has incurred operating losses, a substantial decline in working capital and negative cash flow from operations for a number of years. The Company has also experienced a substantial reduction in its cash and short term investments, which declined from \$17.0 million at December 31, 2000 to \$406,000 at December 31, 2006. The Company also had a shareholders' deficiency of \$964,000 as of December 31, 2006.

Management believes that existing cash and short-term investments will not be sufficient to permit the Company to continue operating past the second quarter of 2007 and the Company will likely cease operations. However, at the time of filing this Annual Report on Form 10-K no formal plan of liquidation has been discussed with or approved by the Board of Directors. If a sale of Infeer is consummated, the Company will not thereafter have any ongoing business operations. In either case, the Company does not expect that any funds will be available for distribution to its shareholders.

The consolidated financial statements included in this Annual Report on Form 10-K contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As a result of the factors described above, it is unlikely that the Company will be able to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The independent auditors' reports on the Company's Consolidated Financial Statements for the years ended December 31, 2006, 2005, 2004, 2003 and 2002 contain emphasis paragraphs concerning substantial doubt about the Company's ability to continue as a going concern.

Results of Operations

The following table is derived from the Consolidated Financial Statements and sets forth the Company's consolidated results of operations for the years ended December 31, 2006, 2005 and 2004 (in thousands).

	2006	2005	2004
Revenues	\$ 3,314	\$ 3,617	\$ 4,395
Cost of revenues	1,489	1,661	2,010
Gross margin	1,825	1,956	2,385
Gross margin percentage	55%	54%	54%
Operating expenses:			
General and administrative	1,743	2,017	2,330
Sales and marketing	1,034	1,173	1,671
Product development	599	624	716
Impairment of goodwill	-	782	-
Amortization of intangibles	-	-	40
	3,376	4,596	4,757
Loss from operations	(1,551)	(2,640)	(2,372)
Other income (expenses):			
Interest income	17	27	27
Interest expense	(34)	(26)	(22)
Cost of retirement benefits - non-operating	-	-	(405)
Loss on pension settlement	-	-	(2,739)
Gain on investment	150	-	-
Gain on insurance recoveries	337	-	647
Other income/(loss)	(5)	350	5
	465	351	(2,487)
Loss from continuing operations	(1,086)	(2,289)	(4,859)
Income from discontinued operations	139	258	-
Extraordinary gain on settlement with the PBGC	7,214	-	-
Net income/(loss)	\$ 6,267	\$ (2,031)	\$ (4,859)

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Revenues. Revenues are generated from product sales, technology and software license fees, installation and maintenance contracts. Consolidated revenues decreased to \$3.3 million in 2006 compared to \$3.6 million for 2005 driven by a decline of \$180,000 in direct sales to customers located in Europe as well as a \$74,000 decline in shipments to distribution partners located outside the United Kingdom, in Europe, and a \$49,000 decline in shipments to distribution partners located in the United States.

Gross margin. Cost of revenues consists primarily of material, personnel costs and overhead. Gross margin as a percentage of revenues was 55% in 2006 compared to 54% in 2005.

Sales and marketing expenses. Sales and marketing expenses consist primarily of personnel and travel costs, trade shows and marketing materials. Sales and marketing expenses were \$1.0 million in 2006 compared to \$1.2 million in 2005. The decrease is primarily attributable to a \$153,000 reduction in wages, benefits and employee business expenses resulting from headcount reductions and a revised commission structure.

Product development expenses. Product development expenses consist primarily of personnel, independent consultants and contract engineering services. Product development expenses include expenses associated with the development of new products and enhancements to existing products. Product development expenses amounted to \$600,000 in 2006 compared to \$624,000 in 2004. The decrease in expenses is mainly attributable to a \$14,000 decline in wages, benefits and employee business expenses associated with headcount reductions and a \$10,000 reduction in depreciation expense.

General and administrative expenses. General and administrative expenses consist primarily of personnel and related costs for general corporate functions, including finance and accounting, risk management and legal. General and administrative expenses for the year ended December 31, 2006 decreased to \$1.7 million from \$2.0 million for 2005. The decrease in expenses is mainly attributable to a decline of \$121,000 in corporate wages and benefits, \$91,000 in reduced director fees and expenses, \$116,000 in reduced external services (primarily legal, insurance and shareholder reporting) and \$68,000 of decreased professional fees at Infineer, offset by an increase in stock based compensation expense of \$58,000, increased consulting expenses at corporate of \$77,000, the write off of fixed assets at the Company's 1 Rockefeller Plaza Offices, and higher auditing and tax related services of \$17,000.

Impairment of goodwill and amortization of intangibles. In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill is no longer amortized. Goodwill and other intangibles are subject to an annual review for impairment or earlier if circumstances or events indicate that impairment has occurred. In performing its annual goodwill impairment test at the end of the fourth quarter of 2005, the Company determined that goodwill had been impaired based on Infineer's continued operational losses. Infineer has continued to incur operating losses and revenues declined substantially to \$3,617,000 in 2005 from \$4,395,000 in 2004. In addition, in 2005 PubliCARD contributed an additional \$150,000 in capital to Infineer. Without such contributions, Infineer would not have been able to fund its operations. As a result of these factors, the Company recorded an impairment loss of \$782,000 in the fourth quarter of 2005. The Company has no goodwill asset value on its balance sheet as of December 31, 2006 and 2005.

Interest income and expense. Interest income was \$17,000 for 2006 and \$27,000 for 2005. This difference is primarily due to lower cash balances in a money market account, and no interest being generated from an escrow account. Interest expense increase to \$34,000 in 2006 from \$26,000 in 2005 due to higher average borrowings during 2006.

Gain on insurance recoveries. During 2006, the Company received funds from a number of insurance recoveries. The insurance recoveries in 2006 include a settlement from the Principle Mutual demutualization of \$70,000, \$111,000 of net proceeds from a refund for overpayment of oil expenses from the Department of Energy and \$162,000 of net proceeds relating to a settlement with Equitas regarding the cleanup of hazardous materials in the Company's Pennsylvania Facility. No insurance recoveries were received in 2005.

Other income. In November 2005, the Company recovered previously unclaimed property in the amount of \$350,000. The receipt was recognized as income in 2005. There were no significant receipts in 2006.

Discontinued operations. In October 1996, the Company sold substantially all of the assets of its Masterview Window Company, Inc. ("Masterview") subsidiary. At closing, a portion of the sales proceeds amounting to \$476,000 were deposited into escrow to cover certain environmental remediation activities relating to a leaking underground storage tank at the former Masterview site in Arizona. The disposition of Masterview was accounted for as a discontinued operations in 1996 and a reserve of \$476,000 was established against the gain on the disposition recorded at that time. In 2005, the remedial activities at the site were satisfied and funds held in escrow amounting to \$289,000 were released to the Company. A gain of \$258,000 was recorded in 2005 and reported as "Income from discontinued operations".

In June 2006, the remaining \$31,000 of funds held in escrow for Masterview were released to the Company. In November 2006 the Company received an initial disbursement from the State Assurance Fund of Arizona for \$108,000 as reimbursement for its approved remediation expenses relating to a leaking underground storage tank at the former Masterview site in Arizona. The Company recorded the combined gain of \$139,000 in 2006 and reported it as "Income from discontinued operations".

Gain on pension settlement. The Company sponsored a defined benefit pension plan that was frozen in 1993. In January 2003, the Company filed a notice with the PBGC seeking a "distress termination" of the Plan. Pursuant to the Agreement for Appointment of Trustee and Termination of Plan between the PBGC and the Company effective September 30, 2004, the PBGC proceeded to terminate the Plan and was appointed as the Plan's trustee. As a result, the PBGC has assumed responsibility for paying the obligations to Plan participants. Under the terms of the Settlement Agreement, the Company was liable to the PBGC for the unfunded guaranteed benefit payable by the PBGC to Plan participants in the amount of \$7.5 million. The Company satisfied this liability by issuing the Note to the PBGC with a face amount of \$7.5 million. A loss on the termination of the Plan of \$2.7 million was recorded in the third quarter of 2004.

On July 27, 2006, the Company entered into a Payment, Retirement and Release Agreement (the "Payment Agreement") with the PBGC pursuant to which the PBGC and the Company provided for the settlement and discharge of the Company's obligations under the Settlement Agreement and the Note. Pursuant to the Payment Agreement, the Company paid the PBGC \$256,000 on July 27, 2006, and agreed that if, between July 27, 2006 and July 27, 2011, the Company receives Net Proceeds in excess of \$250,000, the Company will pay to the PBGC 50% of the amount of such excess. As defined in the Payment Agreement, "Net Proceeds" means the amount received by the Company in cash or marketable securities, less the amount of reasonable transaction costs and expenses and debt paid, retained or assumed, from any of (i) the sale by the Company of any or all capital stock of Infineer; (ii) the sale by Infineer of all or substantially all of its assets and a distribution of the proceeds of such sale to the Company; (iii) the sale by the Company of any or all capital stock of TecSec; and (iv) proceeds received by the Company from settlements, buyouts or assignments of claims with respect to insurance policies covering environmental liabilities for which claims were made prior to July 27, 2006. The Payment Agreement further provides that if, on July 27, 2011, the Company exists as a going concern and holds capital stock of Infineer (and Infineer exists as a going concern) or TecSec (and TecSec exists as a going concern), the Company will be deemed to have sold such capital stock for its fair market value, which shall be added to Net Proceeds for purposes of determining the amount of additional payments to the PBGC, if any. As a result of this agreement, the Company recorded a net gain of \$7,214,000 in 2006.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues. Revenues are generated from product sales, technology and software license fees, installation and maintenance contracts. Consolidated revenues decreased to \$3.6 million in 2005 compared to \$4.4 million for 2004 driven by a decline of \$526,000 in direct sales to customers located in the United Kingdom as well as a \$142,000 decline in shipments to distribution partners located in the United States. In the first several months of 2005, Infineer reduced sales and customer support headcount by a total of eight people to reduce operating expenses and reflect lower revenue expectations.

Gross margin. Cost of revenues consists primarily of material, personnel costs and overhead. Gross margin as a percentage of revenues was 54% in both 2005 and 2004.

Sales and marketing expenses. Sales and marketing expenses consist primarily of personnel and travel costs, trade shows and marketing materials. Sales and marketing expenses were \$1.2 million in 2005 compared to \$1.7 million in 2004. The decrease is primarily attributable to a \$434,000 reduction in wages, benefits and employee business expense resulting from headcount reductions.

Product development expenses. Product development expenses consist primarily of personnel, independent consultants and contract engineering services. Product development expenses include expenses associated with the development of new products and enhancements to existing products. Product development expenses amounted to \$624,000 in 2005 compared to \$716,000 in 2004. The decrease in expenses is mainly attributable to a \$62,000 decline in wages, benefits and employee business expense associated with headcount reductions.

General and administrative expenses. General and administrative expenses consist primarily of personnel and related costs for general corporate functions, including finance and accounting, risk management and legal. General and administrative expenses for the year ended December 31, 2005 decreased to \$2.0 million from \$2.3 million for 2004. The decrease in expenses is mainly attributable to a decline of \$409,000 in corporate wages and benefits and \$87,000 in corporate outside services (including insurance, legal and shareholder reporting) offset by a \$239,000 increase in directors fees.

Impairment of goodwill and amortization of intangibles. In accordance with Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”), goodwill is no longer amortized. Goodwill and other intangibles are subject to an annual review for impairment or earlier if circumstances or events indicate that impairment has occurred. In performing its annual goodwill impairment test at the end of the fourth quarter of 2005, the Company determined that goodwill had been impaired. Infineer has continued to incur operating losses and revenues declined substantially in 2005. In addition, in 2005 PubliCARD contributed an additional \$150,000 in capital to Infineer. Without such contributions, Infineer would not have been able to fund its operations. Also, the Company recently concluded the process of soliciting third party offers for the sale of the Infineer business. The value placed on the business by third parties participating in the process indicated to the Company that goodwill had been impaired. As a result of these factors, the Company recorded an impairment loss of \$782,000 in the fourth quarter of 2005. Amortization of intangibles of \$40,000 in 2004 related to the continuing amortization of definite life intangibles, which have been fully amortized as of December 31, 2004.

Interest income and expense. Interest income was \$27,000 in both 2005 and 2004. Interest expense increased slightly from \$22,000 in 2004 to \$26,000 in 2005 due to higher average borrowings under the overdraft facility.

Cost of pensions - non-operating. Cost of pensions in 2004 of \$405,000 principally relates to pension expense associated with the Company’s frozen defined benefit pension plan. As a result of the pension settlement in September 2004, cost of pensions - non-operating subsequent to September 2004 will be zero.

Loss on pension settlement. The Company sponsored a defined benefit pension plan that was frozen in 1993. In January 2003, the Company filed a notice with the PBGC seeking a “distress termination” of the Plan. Pursuant to the Agreement for Appointment of Trustee and Termination of Plan between the PBGC and the Company effective September 30, 2004, the PBGC proceeded to terminate the Plan and was appointed as the Plan’s trustee. As a result, the PBGC has assumed responsibility for paying the obligations to Plan participants. Under the terms of the Settlement Agreement, the Company was liable to the PBGC for the unfunded guaranteed benefit payable by the PBGC to Plan participants in the amount of \$7.5 million. The Company satisfied this liability by issuing the Note to the PBGC with a face amount of \$7.5 million. This note was satisfied under the terms of the Payment Agreement (see “Liquidity”). A loss on the termination of the Plan of \$2.7 million was recorded in the third quarter of 2004.

Gain on insurance recoveries. In February 2004, the Company entered into a binding agreement to assign to a third party certain insurance claims against a group of historic insurers. In July 2004, the assignment was supplemented to include several additional insurers. The claims involve several historic general liability policies of insurance issued to the Company. As a result of the assignment, after allowance for associated expenses and offsetting adjustments, the Company received net proceeds of approximately \$477,000 in May 2004 and an additional \$170,000 in October 2004. The Company recognized a gain of \$477,000 in the first quarter of 2004 and an additional gain of \$170,000 in the third quarter of 2004.

Other income. In November 2005, the Company recovered previously unclaimed property in the amount of \$350,000. The receipt was recognized as income in 2005.

Discontinued operations. In October 1996, the Company sold substantially all of the assets of its Masterview Window Company, Inc. (“Masterview”) subsidiary. At closing, a portion of the sales proceeds amounting to \$476,000 were deposited into escrow to cover certain environmental remediation activities relating to a leaking underground storage tank at the former Masterview site in Arizona. The disposition of Masterview was accounted for as a discontinued operation in 1996 and a reserve of \$476,000 was established against the gain on the disposition recorded at that time. In 2005, the remedial activities at the site were satisfied and funds held in escrow amounting to \$289,000 were released to the Company. A gain of \$258,000 was recorded in 2005 and reported as “Income from discontinued operations”.

Liquidity

The consolidated financial statements included in this Annual Report Form 10-K contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As a result of the factors described above, it is unlikely that the Company will be able to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The independent auditors' reports on the Company's Consolidated Financial Statements for the years ended December 31, 2006, 2005, 2004, 2003, and 2002 contain emphasis paragraphs concerning substantial doubt about the Company's ability to continue as a going concern.

The Company has financed its operations over the last several years primarily through funds received from the sale of a non-core businesses in 2000 and insurance and other recoveries in 2003, 2004 and 2005. For the year ended December 31, 2006, cash, including short-term investments, decreased by \$666,000 to \$406,000.

Operating activities utilized cash of \$1.0 million in 2006 and principally consisted of the net income of \$6.3 million plus gains in working capital of \$223,000 due to moneys release from escrow and favorable receivable collections, offset by \$7.2 million in non-cash gain from the PBGC settlement, \$150,000 gain on minority investments, depreciation of \$34,000, non-cash compensation expense of \$58,000 and \$139,000 gain from discontinued operations.

Investing activities generated cash of \$583,000 for the year ended December 31, 2006 and consisted principally of receipts from insurance settlements of \$445,000 and a gain on the sale of a minority investment of \$143,000. This was offset by capital expenditures of \$5,000.

Financing activities utilized cash of \$277,000 for the year ended December 31, 2006, primarily due to the payment of \$256,000 to the PBGC as part of the settlement agreement, and an unfavorable change in the overdraft payable of \$26,000.

The Company has experienced negative cash flow from operating activities in the past and expects to experience negative cash flow in 2007 and beyond.

Infiner has continued to incur operating losses and negative cash flow. During 2004 and 2005, the Company contributed additional capital to Infiner of \$225,000 and \$150,000, respectively. It is likely that Infiner will require additional capital and at the present time the Company does not have the financial resources to provide such support. Though Infiner decreased its operating losses in 2006, given the Company's lack of available resources, continued operating losses and the bank overdraft, the Company has begun to consider various alternatives. In 2006, with the assistance of an investment banker, the Company commenced an assessment of the value of Infiner, developed an information memorandum and obtained offers for Infiner's potential for sale. This process concluded without a viable offer for the business. The Board of Directors has not decided whether to continue with the disposition effort. It is therefore uncertain whether an acceptable offer will materialize or whether any such sale will ultimately be consummated. Any such determination to dispose of Infiner would depend upon, among other things, the amount of potential proceeds of any such sale and require the approval of the Company's shareholders.

The Company sponsored the Plan that was frozen in 1993. In January 2003, the Company filed a notice with the PBGC seeking a "distress termination" of that Plan. Pursuant to the Agreement for Appointment of Trustee and Termination of Plan between the PBGC and the Company, effective September 30, 2004, the PBGC proceeded to terminate the Plan and was appointed as the Plan's trustee. As a result, the PBGC has assumed responsibility for paying the obligations to Plan participants. As a result of the Plan termination, the Company's 2003 and 2004 funding requirements due to the Plan amounting to \$3.4 million through September 15, 2004 were eliminated.

Under the terms of the Settlement Agreement, effective September 23, 2004,, the Company was liable to the PBGC for the unfunded guaranteed benefit payable by the PBGC to Plan participants in the amount of \$7.5 million. The

Company satisfied this liability by issuing a non-interest bearing Note, dated September 23, 2004, payable to the PBGC with a face amount of \$7.5 million. Pursuant to the Security Agreement and Pledge Agreement, both dated September 23, 2004, the Note was secured by (a) all presently owned or thereafter acquired real or personal property and rights to property of the Company and (b) the common and preferred stock of Infineer and TecSec, owned by the Company.

On July 27, 2006, the Company entered into the Payment Agreement with the PBGC pursuant to which the PBGC and the Company provided for the settlement and discharge of the Company's obligations under the Settlement Agreement and the Note. Pursuant to the Payment Agreement, the Company paid the PBGC \$256,000 on July 27, 2006, and agreed that if, between July 27, 2006 and July 27, 2011, the Company receives Net Proceeds in excess of \$250,000, the Company will pay to the PBGC 50% of the amount of such excess. As defined in the Payment Agreement, "Net Proceeds" means the amount received by the Company in cash or marketable securities, less the amount of reasonable transaction costs and expenses and debt paid, retained or assumed, from any of (i) the sale by the Company of any or all capital stock of Infineer; (ii) the sale by Infineer of all or substantially all of its assets and a distribution of the proceeds of such sale to the Company; (iii) the sale by the Company of any or all capital stock of TecSec; and (iv) proceeds received by the Company from settlements, buyouts or assignments of claims with respect to insurance policies covering environmental liabilities for which claims were made prior to July 27, 2006. The Payment Agreement further provides that if, on July 27, 2011, the Company exists as a going concern and holds capital stock of Infineer (and Infineer exists as a going concern) or TecSec (and TecSec exists as a going concern), the Company will be deemed to have sold such capital stock for its fair market value, which shall be added to Net Proceeds for purposes of determining the amount of additional payments to the PBGC, if any.

On October 13, 2006, the Company entered into the Assignment Agreement with Sallyport pursuant to which the Company assigned 60,058 shares of Series A Preferred Stock of TecSec to Sallyport in exchange for \$150,000, which the Company recorded as a gain on the sale of a minority investment in the accompanying income statements. In addition, pursuant to the Assignment Agreement, Sallyport agreed to use its best efforts to transfer to the Company or cause to be issued to the Company shares of Common Stock of TecSec representing 2½% of TecSec's Common Stock, calculated on a fully-diluted basis and giving effect to shares that may be issued as a result of Sallyport's financing of TecSec during the current year. On October 13, 2006, TecSec confirmed its agreement to issue such shares to the Company.

The Company has incurred operating losses, a substantial decline in working capital and negative cash flow from operations for a number of years. The Company has also experienced a substantial reduction in its cash and short term investments, which declined from \$17.0 million at December 31, 2000 to \$406,000 at December 31, 2006. The Company also had a shareholders' deficiency of \$964,000 as of December 31, 2006.

Management believes that existing cash and short-term investments will not be sufficient to permit the Company to continue operating past the second quarter of 2007 and the Company will likely cease operations. However, at the time of the issuance of this Form 10-K no formal plan of liquidation has been discussed with or approved by the Board of Directors. If a sale of Infineer is consummated, the Company will not thereafter have any ongoing business operations. In either case, the Company does not expect that any funds will be available for distribution to its shareholders.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements in any of the prior 5 fiscal years.

Contractual Obligations

The following is a summary of the Company's commitments as of December 31, 2006 (in thousands):

	Total	Payments Due by Period			More than 5 years
		Less than 1 year	1 to 3 years	3 to 5 years	
Operating lease obligations	\$ 178	\$ 103	\$ 75	\$ -	\$ -
Other long-term liabilities:					
Note payable to PBGC	31	31	-	-	-
Other long-term obligations	216	6	58	58	94
Total	\$ 425	\$ 140	\$ 133	\$ 58	\$ 94

Critical Accounting Policies

The Company's significant accounting policies are more fully described in the Notes to the Consolidated Financial Statements included this Annual Report on Form 10-K for the year ended December 31, 2006. Certain accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. The Company considers certain accounting policies related to revenue recognition, estimates of reserves for receivables and inventories and valuation of goodwill to be critical policies due to the estimation processes involved.

Revenue recognition and accounts receivable. Revenue from product sales and technology and software license fees is recorded upon shipment if a signed contract exists, the fee is fixed and determinable, the collection of the resulting receivable is probable and the Company has no obligation to install the product or solution. If the Company is

responsible for installation, revenue from product sales and license fees is deferred and recognized upon client acceptance or “go live” date. Maintenance and support fees are deferred and recognized as revenue ratably over the contract period. Provisions are recorded for estimated warranty repairs and returns at the time the products are shipped. In the event changes in conditions cause management to determine that revenue recognition criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's credit worthiness. The Company continually monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that it has identified. While such credit losses have historically been within management's expectations and the provisions established, there is no assurance that the Company will continue to experience the same credit loss rates as in the past.

Inventories. Inventories are stated at lower of cost (first-in, first-out method) or market. The Company periodically evaluates the need to record adjustments for impairment of inventory. Inventory in excess of the Company's estimated usage requirements is written down to its estimated net realizable value. Inherent in the estimates of net realizable value are management's estimates related to the Company's production schedules, customer demand, possible alternative uses and the ultimate realization of potentially excess inventory. A decrease in future demand for current products could result in an increase in the amount of excess inventories on hand.

Share-Based Compensation. Prior to January 1, 2006, the Company accounted for employee stock-based compensation cost using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"). The Company has applied the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") and SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*.

In December 2004, the FASB issued SFAS No. 123R (revised 2004), *Share-Based Payment*. This statement requires compensation costs related to share-based payment transactions to be recognized in financial statements. Generally, compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the requisite service period, generally as the award vests. The Company adopted SFAS No. 123R in the first quarter of 2006. SFAS No. 123R applies to all awards granted after the effective date and to previously-granted awards unvested as of the adoption date. The adoption of the statement did not have an impact on Company's consolidated financial position, results of operations and cash flows.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29*. This statement amends APB No. 29, *Accounting for Nonmonetary Transactions*, to eliminate the nonmonetary exchanges of similar productive assets under APB No. 29 and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for financial statements for fiscal years beginning after June 15, 2005. The adoption of the statement did not have a material effect on the Company's consolidated financial position, results of operations and cash flows.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3*. This statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. This statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of the statement did not have an effect on the Company's consolidated financial position, results of operations and cash flows.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. Interpretation No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after November 15, 2006, and Publicard will adopt it in the first quarter of 2007. Publicard does not expect the adoption of FIN No. 48 to have an impact on its financial statements and related disclosures.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for the Company beginning after January 1, 2008. The Company has not completed its assessment of the impact of SFAS 157 on its financial statements following adoption.

In September 2006, the Securities and Exchange Commission ("the SEC") released Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 provides guidance on the SEC's views regarding quantifying the materiality of financial statement misstatements, including misstatements that were not material to prior years' financial statements. SAB 108 is effective for the Company's fiscal years ended after November 15, 2006. The application of SAB 108 requires the Company to quantify the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The initial application of SAB 108 had no impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, providing companies with an option to report selected financial assets and liabilities at fair value. SFAS 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. Accounting principles generally accepted in the United States has required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of asset and liabilities. SFAS 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily The Company is currently evaluating the impact of the adoption of SFAS 159 on its financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange rate risk

We conduct operations in the United Kingdom and sell products in several different countries. Therefore, our operating results may be impacted by the fluctuating exchange rates of foreign currencies, especially the British pound, in relation to the U.S. dollar. We do not currently engage in hedging activities with respect to our foreign currency exposure. We continually monitor our exposure to currency fluctuations and may use financial hedging techniques when appropriate to minimize the effect of these fluctuations. Even so, exchange rate fluctuations may still have a material adverse effect on our business and operating results.

Market Risk

We are exposed to market risk primarily through short-term investments and an overdraft facility. Our investment policy calls for investment in short-term, low risk instruments. As of December 31, 2006, short-term investments were \$383,000 and borrowing under the overdraft facility amounted to \$478,000. Due to the nature of these investments and the amount of the overdraft facility, any change in rates would not have a material impact on our financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements and related schedule and the report of the Company's independent registered public accounting firm thereon, appear beginning on page F-2. See Index to Consolidated Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the SEC is recorded, processed, summarized and reported on a timely basis. With the participation of management, the Company's chief executive officer and acting principal financial officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon this evaluation, the chief executive officer and acting principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There has not been any change in the Company's internal controls over financial reporting during the fiscal year to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Internal Control Over Financial Reporting

The Company is not an "accelerated filer" as defined in Rule 12b-2 under the Exchange Act. Accordingly, pursuant to SEC Release No. 33-8545, the Company is not required to include in this Annual Report on Form 10-K a management report on internal control over financial reporting or the related registered public accounting firm attestation imposed by Section 404 of the Sarbanes-Oxley Act of 2002.

ITEM 9B. OTHER INFORMATION

In the fourth quarter of 2006, the Company reported all required disclosures in reports on Form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND GOVERNANCE

The Company currently has six directors, all of whom, with the exception of Joseph E. Sarachek were elected at the Annual Meeting of Shareholders held on December 8, 2003. Mr. Sarachek was appointed as a Director on July 21, 2006 and as CEO on July 31, 2006 by the Board of Directors. All directors serve until the next election of directors or until their successors have been elected and have qualified. There are no family relationships among any of the directors and executive officers of the Company.

Set forth below as to each director of the Company is information regarding age (as of March 14, 2007), position with the Company, principal occupation, business experience, period of service as a director of the Company and directorships currently held.

HARRY I. FREUND: Age 67; Director of PubliCARD since April 12, 1985, Chairman of the Board of Directors since December 1985 and Chairman of PubliCARD from October 1998 to January 1, 2005. Mr. Freund has been Chairman of Balfour Investors Incorporated (“Balfour”), a merchant-banking firm that had previously been engaged in a general brokerage business, since 1975. Mr. Freund is also Vice Chairman of Glasstech, Inc.

JAY S. GOLDSMITH: Age 63; Director of PubliCARD since April 12, 1985, Vice Chairman of the Board of Directors since December 1985 and Vice Chairman of PubliCARD from October 1998 to January 1, 2005. Mr. Goldsmith has been President of Balfour since 1975. Mr. Goldsmith is also Chairman of Glasstech, Inc.

JOSEPH E.SARACHEK: Age 45; Director of PubliCARD since July 21, 2006 and Chief Executive Officer since July 31, 2006. Mr. Sarachek is also a Managing Partner of Triax Capital Advisors, LLC., a restructuring advisory firm. In that capacity, he provides restructuring advisory services to companies in various industries and may hold interim management roles. Prior to Triax, Mr. Sarachek was a Partner at Balfour Capital Advisors.

STEPHEN A. SPITZER: Age 34; Acting Principal Financial Officer since July 31, 2006. Mr. Spitzer is also a Principal of Triax Capital Advisors, LLC., a restructuring advisory firm. In that capacity, he provides restructuring advisory services to companies in various industries and may hold interim management roles. Prior to joining Triax, Mr. Spitzer was Director of Finance for Vanguard Media, Inc.

CLIFFORD B. COHN: Age 55; Director of PubliCARD since July 31, 1980, and was Vice President of Government Affairs of PubliCARD from April 1, 1982 to November 20, 1984. Mr. Cohn has been the principal of Cohn & Associates, a law firm in Philadelphia, Pennsylvania since 2003. Mr. Cohn was an attorney for Grayson & Goldin P.C., a law firm in Philadelphia, Pennsylvania, during 2002.

L. G. SCHAFRAN: Age 68; Director of PubliCARD since December 3, 1986. Mr. Schafran is the Managing General Partner of L.G. Schafran & Associates, an investment and development firm established in 1984. Mr. Schafran is a Director of Tarragon Realty Investors, Inc., Co-Liquidating Trustee of the Banyan Strategic Realty Trust and Director of Worldspace, Inc. and was Chairman of the Board and Co-Chief Executive Officer of Delta-Omega Technologies, Inc.

EMIL VOGEL: Age 63; Director of PubliCARD since October 5, 2001. Mr. Vogel has been the Senior Partner and founder of Tarnow Associates (“Tarnow”) since 1982. Prior to founding Tarnow, Mr. Vogel spent nine years with an executive search firm in the New York City metropolitan area conducting senior level search assignments. Mr. Vogel is also a director of Q.E.P. Co., Inc.

Joseph Sarachek is the sole executive officer of the Company appointed by the Board of Directors. Stephen Spitzer serves in the capacity of Principal Financial Officer of the Company, but has not been elected by the Board of Directors to that position. Effective January 1, 2005, Harry I. Freund and Jay S. Goldsmith resigned their officer positions with Publicard, but retained the title of Chairman and Vice Chairman respectively. Mr. Freund and Mr. Goldsmith remain Chairman and Vice Chairman of the Board of Directors, respectively.

On January 11, 2006, the National Association of Securities Dealers, Inc. (the "NASD") found that, in their capacities as principals of Balfour, a broker-dealer registered with the SEC and a member of the NASD, Messrs. Freund and Goldsmith caused Balfour to violate certain books and records and net capital requirements applicable to Balfour. As a result, Balfour and Messrs. Freund and Goldsmith were jointly and severally fined \$10,000.

Audit Committee

The present members of the Audit Committee are Mr. Schafran (Chairman) and Mr. Vogel. The Company's Board of Directors has adopted a written charter for the Audit Committee, which can be found on the Corporate Governance section of the Company's website at www.publicard.com. The Board of Directors of the Company has determined that Mr. Schafran qualifies as an "audit committee financial expert" as defined by the SEC, and is "independent," as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act.

Code of Ethics

The Company has adopted a Code of Ethics that applies to the chief executive officer and senior financial officers. The Code of Ethics can be found on the Corporate Governance section of the Company's website at www.publicard.com. Changes to and waivers granted with respect to the Code of Ethics that are required to be disclosed pursuant to the applicable rules and regulations of the SEC will be posted to the Company's website.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and officers and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely upon the Company's review of the copies of such forms received by it during the fiscal year ended December 31, 2006 and representations that no other reports were required, the Company believes that each person who, at any time during such fiscal year, was a director, officer or, to the Company's knowledge, beneficial owner of more than 10% of the Company's Common Stock complied with all Section 16(a) filing requirements during such fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth information concerning the cash compensation, stock options and retirement benefits provided to the Company's executive officers. The notes to these tables provide more specific information concerning compensation.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Option Awards (\$)(2)	All Other Compensation (\$)
		Salary (\$)	Bonus (\$) (1)		
Joseph E. Sarchek(3) President, Chief Executive Officer and Secretary	2006	75,000	-	60,958	-
	2005	-	-	-	-
	2004	-	-	-	-
Antonio L. DeLise (4) Former President, Chief Executive Officer, Chief Financial Officer and Secretary	2006	184,000	50,000	-	-
	2005	275,000	115,168	-	8,559 (5)
	2004	275,000	84,832	-	9,059 (5)
Stephen A. Spitzer Principal Financial Officer	2006	19,500	-	-	-
	2005	-	-	-	-
	2004	--	-	-	-

- (1) Reflects bonus earned during the fiscal year. In some instances, all or a portion of the bonus was paid during the following fiscal year.
- (2) Options to acquire 2,837,075 shares of Common Stock. Value of options was calculated pursuant to FAS123R using a Black Scholes methodology. See Note 6 of the accompanying financial statements for details.
- (3) Mr. Sarachek was appointed a director of the Company on July 21, 2006 and CEO of the Company on July 31, 2006. In conjunction with his employment arement, he was granted 2,837,075 options at a price of \$0.0279 per share.

(4) Mr. DeLise served as Chief Financial Officer commencing April 1995 and was appointed to the additional posts of President in February 2002 and Chief Executive Officer in August 2002. Mr. DeLise resigned both positions effective July 31, 2006.

(5) Consists of \$6,500 and \$7,000 in contributions to PubliCARD's 401(k) plan for 2004 and 2005, respectively, and \$2,706 and \$2,559 for term life and disability insurance payments paid on behalf of Mr. DeLise for 2004, 2005 and 2006, respectively.

Compensation Discussion and Analysis

On July 21, 2006, the Company entered into an Engagement Agreement (as amended, the "Engagement Agreement") with Joseph Sarachek. Pursuant to the Engagement Agreement, Mr. Sarachek was appointed to the Company's Board of Directors on July 21, 2006. Also pursuant to the Agreement, Mr. Sarachek was appointed as the Company's Chief Executive Officer, effective July 31, 2006. In return for his services, Mr. Sarachek was given an annual salary \$180,000 per year for a one year period and was granted options to purchase Company stock as described below.

Pursuant to the Engagement Agreement, Mr. Sarachek was granted options (the "Initial Options") to purchase 2,837,075 shares of the Company's Common Stock at an exercise price of \$0.0279 per share, the fair value of the Company's stock on the date of the grant. 1,793,650 of the Initial Options were granted under the Company's 1999 Long Term Incentive Plan (the "Long Term Incentive Plan"), and 1,043,425 of the Initial Options were granted pursuant to a Non-Plan Stock Option Agreement between Mr. Sarachek and the Company, dated as of July 21, 2006. All of the Initial Options will vest upon the consummation of a sale of the Company or other restructuring or similar transaction involving the Company, as defined in the Engagement Agreement.

Following the consummation of any such transaction, Mr. Sarachek will be granted additional options to purchase shares of the Company's Common Stock, which options will be exercisable into shares of the Company's Common Stock representing (when taken together with the Initial Options) 10% of the Company's outstanding Common Stock, calculated on a fully-diluted basis. Such options will be exercisable when granted. The Agreement also provides that, upon consummation of any such transaction, Mr. Sarachek will be entitled to receive a cash transaction fee in an amount equal to a percentage of the aggregate value of such transaction received by the Company or its shareholders ranging from 4% to 7%.

On July 31, 2006 Stephen Spitzer assumed the role of Principal Financial Officer. Mr. Spitzer is an at-will employee of the Company and does not have an employment agreement. Mr. Spitzer also does not hold any stock options in the Company. Mr. Spitzer receives an annual salary of \$52,000 as compensation for his services.

Option Grants in Last Fiscal Year

The following table sets forth certain information as of December 31, 2006 concerning plan based awards for the following individuals:

Name	Estimated Future Payouts Under Equity Incentive Plan Awards						
	Grant Threshold(#) Date	Target (#)(1)	Maximum (#)	All Other Stock Awards: Number of Shares	All Other Option Awards: Number of Under-lying Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(3)

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					of Stock or Units (#)	(#)(2)			
Joseph E. Sarachek	7/21/06	-	1,793,650	-		1,043,425	\$ 0.0279	\$	60,958

- (1) Mr. Sarachek received 1,793,650 of options granted under the Company's 1999 Long Term Incentive Plan. The price of these options at the time of the grant was \$0.0279. Mr. Sarachek's options will only vest in the event of a transaction, as described in his Engagement Agreement
- (2) Mr. Sarachek received 1,043,425 of options granted under a Non-Plan Stock Option Agreement between Mr. Sarachek and the Company. The price of these options at the time of the grant was \$0.0279. These options shall only vest in the event of a transaction as described in the Engagement Agreement.
- (3) The fair value of the options granted to Mr. Sarachek on July 21, 2006 is \$60,958. The values was derived in accordance with SFAS 123R using a Black Scholes methodology. See Note 6 of the accompanying Financial Statements for further details.

As of December 31, 2006, there were no options granted to Mr. DeLise, the former President, Chief Executive Officer, Chief Financial Officer and Secretary of the Company or Stephen Spitzer, the current Principal Financial Officer of the Company Common Stock

The following table sets forth the exercisable and unexercisable options for executives or 2006:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Options Awards Equity Incentive Plan Awards:		
			Number of Securities Underlying Unexercised Options (#)(1)	Option Exercise Price (\$)	Option Expiration Date
Joseph E. Sarachek		2,837,075	2,837,075	\$ 0.0279	7/21/16

(1)Mr. Sarachek's options vest and become immediately exercisable in the event of a sale of the Company, other restructuring or similar transaction as defined in the Engagement Agreement.

Aggregate Stock Option Exercises in Fiscal Year 2006 and Fiscal Year-End Option Values

The following table sets forth certain information as of December 31, 2006 concerning exercisable and unexercisable stock options held by the following persons:

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Joseph E. Sarachek	-	-	-	2,837,075	-	-
Harry I. Freund	-	-	335,000	-	-	-
Jay S. Goldsmith	-	-	335,000	-	-	-

(1) These values are based on the December 31, 2006 closing price for PubliCARD's Common Stock on the Over-the-counter Bulletin Board of \$.015 per share.

Stock Option Plans

Under the 1993 Long-Term Incentive Plan and the 1993 Non-employee Director Stock Option Plan adopted by shareholders of the Company in 1994 and the 1999 Long-Term Incentive Plan and 1999 Stock Option Plan for Non-employee Directors adopted by shareholders of the Company in 1999, the Company may grant stock options, restricted stock options, stock appreciation rights, performance awards and other stock-based awards equivalent to up to 7,300,000 shares of Common Stock. As of December 31, 2006, a total of 1,215,500 shares of Common Stock in the aggregate were available for grant under the stock option plans.

The plans are administered by the Board of Directors and/or the Compensation Committee of the Board of Directors of the Company. Subject to the express provisions of the plans, the Compensation Committee or the Board of Directors, as applicable, has full and final authority to determine the terms of all awards granted under the plans including (a) the purchase price of the shares covered by each award, (b) whether any payment will be required upon grant of the award, (c) the individuals to whom, and the time at which, awards shall be granted, (d) the number of shares to be subject to each award, (e) when an award can be exercised and whether in whole or in installments, (f) whether the exercisability of the awards is subject to risk of forfeiture or other condition and (g) whether the stock issued upon exercise of an award is subject to repurchase by the Company, and the terms of such repurchase.

23

Stock Option Agreements

In January 1996, PubliCARD issued options to Messrs. Cohn and Schafran to buy a total of 200,000 shares of PubliCARD's Common Stock at an exercise price of \$2.50 per share for five years. In 2000, a total of 40,000 of such options were exercised. The expiration date on the remaining options was subsequently extended by five years to January 2006. The remaining options expired in January 2006.

Pursuant to the Engagement Agreement, Joseph Sarachek was granted options (the "Initial Options") to purchase 2,837,075 shares of the Company's Common Stock at an exercise price of \$0.0279 per share, the fair value of the Company's stock on the date of the grant. 1,043,425 of the Initial Options were granted pursuant to a Non-Plan Stock Option Agreement between Mr. Sarachek and the Company, dated as of July 21, 2006. The Initial Options will vest upon the consummation of a sale of the Company or other restructuring or similar transaction involving the Company, as defined in the Engagement Agreement.

Employment and Change in Control Agreements

In August 1987, the Company entered into change of control agreements with each of Messrs. Freund and Goldsmith, which provide for payments to them under certain circumstances following a change of control of the Company. These agreements were not adopted in response to any specific acquisition of shares of PubliCARD or any other event threatening to bring about a change of control of the Company. For purposes of the agreements, a change of control is defined as any of the following: (a) the Company ceasing to be a publicly owned corporation having at least 2,000 shareholders, (b) any person or group acquiring in excess of 30% of the voting power of the Company's securities, (c) Messrs. Freund, Goldsmith, Cohn, DeLise, Schafran and Vogel and any other director designated as a "Continuing Director" prior to his election as a director by a majority of the foregoing persons (the "Continuing Directors") ceasing for any reason to constitute at least a majority of the Board of Directors, (d) the Company merging or consolidating with any entity, unless approved by a majority of the Continuing Directors or (e) the sale or transfer of a substantial portion of PubliCARD's assets to another entity, unless approved by a majority of the Continuing Directors.

In the event one of the above-named individuals (a) is terminated as an employee of the Company for any reason other than conviction of a felony or any act of fraud or embezzlement, (b) is disabled for six consecutive months or dies, (c) is not elected and maintained in the office which he now occupies, (d) is not included by the Board of Directors in the slate of directors recommended to shareholders, (e) receives a reduction in his salary or fringe benefits, (f) experiences a change in his place of employment or is required to travel excessively or (g) experiences other substantial, material and adverse changes in conditions under which the individual's services are to be rendered, within three years following a change of control, the individual will be entitled to receive in a lump sum within 10 days of the date of discontinuance, a payment equal to 2.99 times the individual's average annual compensation for the shorter of (x) the five years preceding the change of control, or (y) the period the individual received compensation from PubliCARD for personal services. Assuming a change of control of the Company and the discontinuance of an individual's services were to occur at the present time, payments in the amounts, assuming there are no "excess parachute payments" as defined in the Internal Revenue Code of 1986 (the "Code"), would be made pursuant to the change of control agreements of approximately \$267,000 to each of Mr. Freund and Mr. Goldsmith. In the event any such payment, either alone or together with others made in connection with the individual's discontinuance, is considered to be an excess parachute payment, the individual is entitled to receive an additional payment in an amount which, when added to the initial payment, results in a net benefit to the individual, after giving effect to excise taxes imposed by Section 4999 of the Code and income taxes on such additional payment, equal to the initial payment before such additional payment. Since the change of control agreements would require large cash payments to be made by any person or group effecting a change of control of PubliCARD, absent the assent of a majority of the Continuing Directors, these agreements may discourage hostile takeover attempts of PubliCARD.

The change of control agreements would have expired on December 1, 2006 but have been and will continue to be automatically extended for a period of one year on each December 1, unless terminated by either party prior to any December 1. In the event a change of control occurs while the change of control agreements are in effect, the term of such agreements will automatically be extended to three years from the date of the change of control and the foregoing renewal option will become inapplicable.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

Through September 30, 2000, directors who were not officers of the Company were paid \$2,500 per month for services as directors and, in addition, \$750 per day for each meeting of the Board of Directors or of shareholders that they attended without regard to the number of meetings attended each day. Effective October 1, 2000, the monthly retainer and per diem fees were suspended. Effective May 1, 2005, the Company reinstated compensation for non-employee directors, excluding the Chairman and Vice Chairman of the Board of Directors, at the rate of \$2,000 per month, which amount will be reduced by 33% to \$1,333 per month effective April 1, 2006. Pursuant to the 1999 Stock Option Plan for Non-employee Directors adopted by shareholders of the Company in 1999, non-employee directors receive 30,000 options to purchase Common Stock of the Company in August of each year.

On January 1, 2005, Mr. Freund, Chairman of the Company, and Mr. Goldsmith, Vice Chairman of the Company, resigned their officer positions with the Company. Mr. Freund and Mr. Goldsmith remain as Chairman and Vice Chairman of the Board of Directors of the Company, respectively. From October 1998 through December 2004, Mr. Freund and Mr. Goldsmith received compensation in respect of their officer positions as Chairman and Vice Chairman of the Company, respectively. For the year ended December 31, 2004, annual compensation in such capacity was \$150,000 each. Effective January 1, 2005, Mr. Freund and Mr. Goldsmith each began to receive annual compensation at the rate of \$100,000 per year as Chairman and Vice Chairman of the Board of Directors, respectively, and for providing certain services as described below. The Board of Directors approved a 33% reduction in compensation to all non-employee directors effective April 1, 2006, such that the annual retainer for Mr. Freund and Mr. Goldsmith was reduced to \$66,667. As of July 31, 2006, Mr. Freund and Mr. Goldsmith agreed to terminate the annual retainer payments. Each was paid \$47,000 during 2006.

Mr. Freund and Mr. Goldsmith provide advice and counsel to the Company on a variety of strategic and financial matters, including business acquisitions and divestitures, raising capital and shareholder relations. Mr. Freund and Mr. Goldsmith do not render any services in connection with the day-to-day operations of the Company. Services are provided on a less than full time basis, with the amount of time varying depending on the activities in which the Company is engaged from time to time. The arrangements with the Company do not provide for a minimum amount of time to be spent on Company matters by Messrs. Freund and Goldsmith.

On May 17, 2005, the Directors Compensation Committee recommended, and the Board of Directors approved, the compensation for non-employee directors, including such amounts received by Mr. Freund and Mr. Goldsmith.

During 2006, certain Directors received compensation in the form of cash. All Directors received equity in return for the services provided in 2006. The following table sets forth the director compensation for 2006.

Name	Fees Earned of			Total (\$)
	Paid in Cash (\$) (1)(2)	Stock Awards (\$)	Option Awards (\$) (3)	
Jay Goldsmith	47,000	-	688	47,688
Harry Freund	47,000	-	688	47,688
Clifford Cohn	10,000	-	688	10,688
Emil Vogel	10,000	-	688	10,688
Larry Schafran	10,000	-	688	10,688

- (1) Beginning January 1, 2005, Mr. Freund and Mr. Goldsmith each received compensation of \$100,000 per year in their capacity as Chairman and Vice Chairman of the Board of Directors. The annual retainer was reduced to \$66,667 effective April 1, 2006. The retainer was terminated effective July 31, 2006. Each received \$47,000 of non-executive compensation during 2006.

- (2) Messrs Cohn, Vogel and Schafran each received \$2,000 per month as non-employee directors between January 1, 2006 and March 31, 2006. On April 1, 2006 this amount was reduced to \$1,333 per month. This compensation arrangement was terminated July 1, 2006.
- (3) Each of the Directors listed above was issued the option on August 4, 2006 to purchase 30,000 shares of the Company's Common Stock at a price of \$0.03. These shares immediately vested upon issuance and expire August 4, 2010. The Company used a Black Scholes methodology to calculate the fair value of the options, pursuant to FAS 123R. See Note 6 of the accompanying Financial Statements for further details.

Mr. Freund and Mr. Goldsmith are each party to an agreement with the Company providing for payments to them under certain circumstances following a change in control of the Company. See "Employment and Change in Control Agreements."

The Company currently subleases its space in New York City from Triax Capital Advisors. The Mr. Sarachek is an officer and principal shareholder of Triax Capital Advisors. The Company pays 27% of the rent and occupancy costs paid by Triax Capital Advisors under its lease, including base rent, electricity, water, real estate tax escalations and operation and maintenance escalations. The base rent payable by the Company is approximately \$3,000 per month.

Directors of the Company are elected at each annual meeting of shareholders to hold office until the next annual meeting of shareholders and until their respective successors are duly elected and qualified. Executive officers are elected to hold office until the first meeting of directors following the next annual meeting of shareholders or until their successors are sooner elected by the Board of Directors and qualified.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors, which consists entirely of outside directors, reviews the compensation of key employees of the Company. The present members of the Compensation Committee are Clifford B. Cohn (Chairman) and L.G. Schafran. See "Information Concerning the Board of Directors" above.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following information is furnished as of March 14, 2007 with respect to each class of equity securities of the Company beneficially owned by each person who owns of record or is known by the Company to own beneficially more than 5% of the Common Stock of the Company and by all directors, nominees and officers and by all directors, nominees and officers as a group. All information with respect to beneficial ownership has been furnished to the Company by the respective shareholders of the Company and the directors, nominees and officers. Unless otherwise specified, the address of each director and executive officer in the following table is the Company's address at 75 Rockefeller Plaza, 16th Floor, New York, New York 10019.

Name	Position	Beneficial Ownership of Shares of Common Stock as of March , 2006 (1)	Percent of Class (1)
Taube Hodson Stonex Partners Limited 27 St. James Place London SW1A 1NR United Kingdom	N/A	2,735,500 (2)	11.0%
Harry I. Freund	Director, Chairman of the Board of Directors	859,957 (3)	4.1%
Jay S. Goldsmith	Director, Vice Chairman of the Board of Directors		