

Operator: Greetings, and welcome to the Intellicheck Mobilisa First Quarter 2010 Conference Call.

At this time, all participants are in the listen-only mode.

A brief question and answer session will follow the formal presentation.

If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, James Carbonara, Investor Relations Group for Intellicheck Mobilisa.

Thank you, Mr. Carbonara. You may now begin.

Mr. James Carbonara: Good morning, and welcome, everyone.

Thank you for joining us today for our 2010 first quarter conference call to discuss Intellicheck Mobilisa's results for the fiscal quarter ending March 31, 2010, and to discuss other business developments.

In a moment, I will call upon our CEO, Dr. Nelson Ludlow, to lead today's call and introduce the other members of Intellicheck Mobilisa management team who will be participating in today's conference call. Before I do that, I will take a few minutes to read the forward-looking statement.

Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. When used in this conference call, words such as will, believe, expect, anticipate, encouraged, and similar expressions as they relate to the Company or its management, as well as assumptions made by and information currently available to the Company's

management, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projectional forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of such changes, new information, subsequent events, or otherwise.

Additional information concerning forward-looking statements is contained under the heading of risk factors listed from time to time in the Company's filings with the Securities and Exchange Commission. Management will use the defined financial term "Adjusted EBITDA" in today's call. Please refer to the Company's press release issued this morning for further definition of and context for the use of this term.

I would now like to introduce Dr. Nelson Ludlow, Intellicheck Mobilisa's Chief Executive Officer, to preside over today's call.

Nelson?

Dr. Nelson Ludlow: Thank you, James. And welcome to all our shareholders. Thank you for being on today's call.

Today, I'd like to try a little bit of a different format for our conference call. We released the financials last night, and we'll make our comments a bit more brief than usual in favor of providing more time for your questions. On the call with me today is Steve Williams, our Chief Operating Officer, Peter Mundy, our Chief Financial Officer, and Mr. John Paxton, the Chairman of our Board.

Our first quarter revenue is approximately \$2.7 million, which is up 25 percent compared to the first quarter of last year. Now, this is comparable to our yearly revenue of 2009 when compared to 2008. So, year-over-year, that grew 24 percent. So, we're pretty similar.

So, I'm proud to announce that this quarter represents the 15th consecutive quarter in a row that we have shown comparative revenue-over-revenue increases. Now, you'll see that our costs are up somewhat. However, topline growth has been our company's focus, and we're continuing to do that. So, let me add that the industry average for 2009 over 2008 revenue for industry average was down 10 percent while we were up 24 percent.

So, I'll let Pete Mundy, our Chief Financial Officer, provide the quarterly financials.

Pete?

Mr. Peter Mundy: Thank you, Nelson. Good day to all.

I'd like to discuss some of the financial information that was discussed in our press release for the quarter ending March 31st, 2010, which we put out last night. The complete annual report--or I'm sorry, the quarterly report on Form 10-Q will be filed with the SEC this afternoon right after the call.

Revenues for the first quarter ending March 31st, 2010, increased 25 percent to \$2,675,000 compared to \$2,143,000 for the previous year. The increase is primarily related to increases in the identity systems previously reported as the commercial ID and government ID product lines. Total booked orders were approximately \$1.1 million in the first quarter of 2010 compared to approximately \$867,000 in the first quarter of 2009.

As of March 31st, 2010, our backlog, which represents noncancelable sales orders for products not yet shipped and services to be performed, was approximately \$8.9 million compared to \$9.4 million at March 31st, 2009.

Our gross profit as a percentage of revenues was 65 percent for the three months ending March 31st, 2010 compared to 66 percent for the three months ending March 31st, 2009. The decrease in the percentage is due to a change in the product mixed.

Operating expenses, which consist of selling, general administrative, and research and development expenses, increased 31 percent to \$2,562,000 for the three months ending March 31st, 2010 from \$1,956,000 for the three months ending March 31st, 2009.

As Nelson has previously mentioned, we added operating expenses to help support an increase in revenues, principally through increased payroll and commission expenses. Additional planned increase in operating costs was the result of higher amounts spent on Investor Relation activities and contractual consulting fees paid to the former Positive Access principals.

Going forward, we are continuing to monitor our cost structure, but we do plan on incurring some additional operating expenses to support our expected revenue growth, including the hiring of additional sales person and increasing marketing costs. Research and development costs should also increase as the level of research and development projects increase and we continue to integrate additional products and technologies with our patented ID-Check technology.

Interest income was negligible during the period. The interest expense of seven--\$7,500 in the first quarter of 2010 represents the amortization of the deferred debt discount recorded on the notes payable related to the Positive Access acquisition. We

have not recorded a tax provision due to the expected utilization of net operating loss carry-forwards. We still have net operating loss carry-forwards of approximately \$37.8 million.

Adjusted EBITDA for the quarter ending March 31st, 2010 was negative \$414,000, compared to a negative amount of \$199,000 for the quarter ending March 31st, 2009. Our net loss was \$820,000, or three cents per diluted share for the three months ending March 31st, 2010 compared to a net loss of \$535,000, or two cents per diluted share, for the three months ending March 31, 2009.

Now, I'd like to focus on the Company's liquidity and capital resources.

As of March 31, 2010, the Company had cash and short-term investments of \$2,401,000, working capital of \$1,755,000, total assets of \$24,823,000, and stockholders' equity of \$20,939,000. The Company did not utilize any bank financing during the first quarter of 2010.

The Company used net cash of \$604,000 in operating activities in the first quarter of 2010 compared to \$582,000 in the same period last year. This increase in 2010 is primarily a result of higher net loss for the quarter, partially offset by higher non-cash charges and changes in working capital.

Cash used by investing activities was \$67,000 compared to \$9,000 in the same period of last year. The use of cash in the 2010 period reflects capital expenditures principally related to equipment purchases and leasehold improvements.

Cash provided by operating activities was \$63,000 in the period ending March 31, 2010 compared to \$16,000 in the same period last year. The increase in 2010 is a result of higher proceeds from the exercise of stock options.

During the quarter ending March 31, 2010, the Company used approximately \$608,000 in net cash and short-term investments. We currently anticipate that our available cash and short-term investments, as well as cash from operations, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

I'll now turn the mic back over to Nelson.

Dr. Nelson Ludlow: Thanks, Pete.

As you can see, we're investing in the Company, and we're growing topline.

So, let's first take a look at the applications of our products for airports. Now, we started off the year with--or ended last year with a lot of visibility coming on the heels of that Christmas bomber. We were featured in the media, raising the company profile to the community of folks who buy our products.

In January, we were twice featured in the Wall Street Journal for applications of our products that the Wall Street Journal believes should be at the airport. And we believe that sentiment is correct. Our product should be in airports.

Right now, IDs are being essentially checked by eyeball, by a TSA agent, with no regard for whether that ID is lost, whether it's stolen, it's fake, or matching the information to the no-fly list or other terrorist lists. We are still actively marketing our products to TSA and the airports, and, as we stated before, this is not a quick process.

Just last week, a terrorist left a car packed with explosives in Times Square, and once identified, he was added to that no-fly list, yet he was still able to board a plane at JFK Airport headed for Dubai. He nearly escaped, and importantly, our technology

would have identified him at the TSA checkpoint. Let me repeat that. If they'd used our product, we could have stopped him before he got on the aircraft.

A few days later, a different scenario occurred. A good guy was pulled off of a plane, a plane that was leaving the gate, and they brought the plane back, and it turned out it was a false match. His name was similar to a name that was on the no-fly list.

Again, that should have been sorted out at the airport long before a plane is leaving, um, the terminal. So, not only does IDN's technology prevent bad guys from getting to aircraft, it also hassles the good people much less from being detained and inconvenienced.

Our product is effective against these false matches. Let me explain why.

We match more than just a passenger name record that Homeland Security does, because we have the full identification document. It has full legal name, date of birth, height, weight, hair color, eye color, even photos of information on our products can come up, and you can match that to the actual person standing in front of you, all to make a better match, hassling the good people significantly less, and importantly, narrowing in on the specific people who are on those terrorist lists. There is no excuse that TSA should not be using these products, and we are going to keep the pressure up until they do.

IDN was covered in the media last week on CBS, NBC, Canadian's Business News Network, just to name a few, and we were interviewed by many other newspapers as well, including the Wall Street Journal.

In one of those interviews, they expressed surprise that the bomber could make it actually onto the plane. And I want our shareholders to understand, unfortunately, this is how the current DHS/TSA system is set up.

They have what's called multiple layers of security, and one of those layers of security is called the document checking layer. That's the one where you go through the TSA checkpoint, and they shine a little light on your driver's license.

That doesn't really check the ID. It doesn't catch fakes. It doesn't compare names to the no-fly list or other lists. It doesn't determine if the ID was lost or stolen. That's the layer of security that we are asking help from Congressional people. We're asking TSA and in letters from Congressional people to Secretary Napolitano, asking to use our product to make our country safer.

Now, we should not expect large TSA contracts in just a few weeks. But as an investor in the company myself, my view is that terrorists aren't going away. Therefore, they will continue to cause problems for our country, and we are going to continue to market our good products and services to TSA because we have the solution. This has taken on even a higher goal of not only producing a good product for a very reasonable price, but it's now essentially taken on a mission of ours to make our country's airports safe to save lives.

And let me just add one other thing that, for Ground Zero and the fight against terror with New York City, Manhattan, that New York-- the Port Authority of New York and New Jersey recently adopted our products. New York's the leader in many ways at the forefront of employing anti-terror products and strategies.

They need the best products, and they chose us. And that's why they're using our products now at a couple seaports in the New York area and New Jersey area to check people coming on to those seaports, whether it's a truck driver or workers there.

It's a matter of TSA going through a testing process, a competition process, and normal contract steps, and I'm confident they will. A national Zogby poll has reported that 90 percent of Americans believe that false or fraudulent forms of identification pose a threat to air travel, and 83 percent of those would favor ID scanners at the airports as a matter of national security. That's good news in an election year, and we're going to again--I'm repeating myself here, but keep the pressure up on TSA until they implement our products.

We have met with TSA. They have bought a couple of our devices. We are speaking with them. We are contacting Congressional leaders. We have developed a marketing strategy, a lobbying strategy, and we are meeting with people, and you're going to see in the next few weeks some key hires to keep a strategy that--to get into Homeland Security to use our products.

Okay. Well, enough on the airports. We continue to build in both our targeted markets. So, let's talk about wireless, and let's talk about identity systems.

And I'm going to call it identity systems. In the past, I kind of broke them down by government identity and commercial identity, but the cool thing about it is there's a lot of overlap, same underlying technology. So, we're operating it as an identity systems group within our company.

So, we currently have Authorities to Operate, or ATOs, from the Army, from the Navy, from the Air Force, and now the Marines. All four services have provided approval for our product.

In January, we received a contract from the Army, uh, at Fort Stewart in Georgia to provide them with our Defense ID access control system. The value of that contract was about a quarter of a million dollars for the equipment, the software, installation, training, warranties, etc. That's the second base that we've won in Georgia. There's even a larger base in Georgia, in late last year, Fort Benning, and they purchased about \$800,000 worth of equipment and services to protect their base.

Recently, we announced that the Yuma Army Proving Ground in Arizona also purchased our Defense ID access control system, and the value of that contract is about \$175,000. Yuma is one of the largest military installations, in terms of land and location, and a very critical base to the military. We have other military bases that we expect to announce shortly.

We have also received factory certification from Lenel, their OnGuard Access security software, and we are now a member of the Lenel OpenAccess Alliance Program. Now, why is that a big deal? Lenel's OnGuard Access Visitor Management System is used at many of the security locations throughout the world, particularly seaports. Now, this links our TWIC Reader with their existing Lenel security system.

Now, one of the problems that I've expressed about TWIC cards many times is it's like a ticket that gets you into a movie theater. Once you're in, you're in. That's an unacceptable way to deal with a TWIC card.

So, the government issues this TWIC card. It's a very good smart card, but the port has to check, wait a minute, do you actually belong at this port? I have a TWIC card, but I have no need--I have--the port should not allow me on at Bayonne, New Jersey to walk around the seaport at will, but I have the appropriate card to do so. Essentially, any public person that wants to pay about \$135 and do a background check can get one of those cards.

You need to tie it in to their existing access control system as well, and we've done that with a company called AMAG, and now we've done that with a company called Lenel. So, that's a very big step in making our country safer and making the product significantly more marketable, and I give credit to the Port Authority of New York/New Jersey as leading the way to make that happen, and that's exactly what we did.

Now, that certification allows for IDN to further support various other ports and facilities that currently use Lenel's OnGuard system, 18,000 system installations in more than 93 countries. We're now integrated with that.

So, our mobile TWIC Reader can interface their OnGuard system, increasing user efficiency, speed up the whole visitor's process. Lenel is one of the industry leaders, and we're excited that--this new opportunity to provide even a stronger TWIC card and access control product.

We recently put out a press release, with kind of a long name, it was called the Federated for Identity and Cross-Credentialing System. It's called FiXs.

And why is that a big deal? Well, because that is now becoming the new standard visitor card for getting onto military bases. We integrate with that. It also allows us access to talk directly to, um, the military databases to validate ID cards. So, again, this

is another time that we have been able to integrate our system with other products that make ours better.

This is a large step forward for Intellicheck Mobilisa and for the Defense ID product. It increases security at our existing military bases and provides yet another level of acceptance for our military product, and it strengthens our relationship with those military bases. We were the best system before, and now we offer an even more comprehensive solution to access control.

Now, on the commercial side, we continue to focus on tier one retailers--that means they do a billion a year or more in revenue--on groceries, on financial institutions. And let me just talk about a couple.

We partnered with a place called Rooms To Go. They're America's number one independent furniture retailer, and we helped them provide a paperless instant secure credit card application and approval. Rooms To Go is a very important client, and we're happy to provide products and services, as they grow with us to their nearly 150 stores nationwide.

One of our clients, L.L. Bean, has reported to us that their customers were 12 times more likely to sign up for a loyalty brand credit using our ID-Check Fast Form products, signing up more customers in a two-week period of time than they did in the year before. The reason that I believe this is, people feel much safer doing it electronically, scanning your ID, than writing your name and Social on a piece of paper. That's going to be a way of the past, and the future is with our Intellicheck Mobilisa product.

We've also signed an agreement with Alliance Data Systems to pilot, again, our ID-Check software and technology for potential applications to delivery of their credit card programs provided to their retailers. Alliance Data currently manages nearly 90 branded credit card and marketing programs for many of today's leading retailers.

This is a big move forward for our two companies. Alliance Data will be able to offer our patented technology to approximately 90 retail chains, improve the speed, the security, and accuracy in their credit card application process, very similar to what I mentioned at L.L. Bean, Rooms To Go, or our previous customers like Target.

Our regular customers continue to repeat purchases, such as L-1, Cross Match, TASQ, Fidelity National Information Services, and our financial institutions. We continue to grow and support these customers while launching pilots in numerous other tier one partners. We continue with several pilot projects on the credit card process, and successful completion of these projects will result in rollouts to national retailers around the country. Our financial institutions create opportunities in a couple areas, with a variety of form factors from loyalty programs to credit card applications to returning merchandise, to loyalty customer cards. We continue to work with Barclays, GE Money, and JPMorgan Chase to support their partners.

I mean, most important out of all this is I am very pleased that our pipeline is stronger than ever. We have many pilots that are in the process, that are ongoing right now that were not in place a year ago.

Let me talk about wireless. Now, I think you guys all know that we have a very good program in putting port-- security sensors on buoys, to protect our ports and our channels. Now, we have had extremely good results on these new buoys that we built.

We're rolling out our next generation, which was different than our initial rollout. These buoys are bigger. They're more stable. They have a better design. They have more advanced sensors.

And I have personally had meetings with three different of the country's leading universities, working with their cutting-edge technology and their professors on new sensor technology. We've had visits by top level officials from the Coast Guard and National Intelligence Centers, looking at additional ways that these buoys can protect our country's harbors.

Now, our backlog numbers include an expected \$3 million plus of funding that was included in the Defense Appropriations Act of 2010 specifically for this project. We expect to work on that new funding, and to start on that probably late Q3 of 2010.

Now, I want to give you a glimpse of a new product we are developing. It's a law enforcement product. It's similar to how the military uses their ID scanner. It looks at a driver's license or a government ID and can provide a law enforcement agent with open Wants and Warrants. We've done tests of a beta version, for quite some time of this product, and we've done it at U.S. courthouses, at Sheriff's offices, even one of our military bases is using this law enforcement product. It's a very cool product.

Further, we've assembled an Advisory Board of national law enforcement leaders, which we will announce in a press release here very soon, but I want to give you a glimpse. There are about 2.4 million law enforcement personnel in various positions. That's from badge law enforcement people to state troopers to even rangers, to all kinds of different positions that fall into law enforcement. It's a large market, and it's an

obvious and natural extension of our military base and our TSA Homeland Security product. It's a good market.

Normally, our company doesn't provide financial guidance for investors, but the second quarter of 2009 represented the best quarter ever in terms of revenue for this company in profitability, resulting principally from the enterprise license and equipment sale to a large company, which represented over a million dollars just in that one contract, that hit the revenue for that quarter.

So, in my belief of under-promising and over-delivering, I--we want to say that that was a very high revenue for that quarter. And while we continue to believe we'll obtain additional enterprise license from our commercial identity customers, we're not predicting our second quarter revenues in 2010 will break those of that best ever quarter of Q2 of 2009.

That doesn't mean that anything's wrong. It means that there was a spike in how you slice the revenue from one quarter to another. We're continuing to grow the Company, but I want to make that statement.

One last item I want to bring up is that we're going to formally announce soon that we're going to be filing a universal shelf registration statement with the SEC that could provide the Company with an expedited means to raise capital through a public offering of some form of equity transaction. The transaction could be for common stock, warrants, units, preferred stock, debt, or some combination of those.

But from a technical standpoint, a legal standpoint, we can register for about approximately one-third of the nonaffiliate market cap of the Company, so currently, that

would be in about the \$8.5 million to \$10 million range. That's a rule for any company under \$75 million in market cap.

Now, we plan to file that registration to have it in place, and that does not mean that we're actively raising capital. I don't need--I don't want hundreds of phone calls from investment bankers. What we are doing is we're putting in place a shelf registration, and that is the responsible thing to do. And if and when there are opportunities for inorganic growth, new product, or marketing development, we'll have that shelf registration already in place.

So, at this time, I'd like to introduce Mr. John Paxton, our Chairman, who could say a couple words about our company.

Mr. John Paxton: Well, thank you, Nelson, and thank you, everyone, for joining our call.

As Nelson has been talking frequently about the Company, and where we're going and what we're investing in, from a Board of Directors standpoint, we're looking at funding, the growth that we have for the corporation, going forward. We're adding strength to our sales and marketing organizations, our R&D and engineering groups, as we continue to develop products for new applications and better provide applications that--on existing products to do more scanning and protect the country through high technology applications and searches.

In the near term, we'll be adding strength to our Board of Directors by adding two additional directors, which will give us a broader span across industries and technology, as well as from the standpoint of the-- 9/11 committee.

So, overall, I'm very excited about the corporation overall. There's a number of things that we're doing, as Nelson said, to support the growth of the corporation.

And as you know, when a company is in a growth mode, it's very important to fund it properly as we go forward, because when you don't fund it properly, you lose opportunities. When you lose opportunities, you lose market share, and that's why we want to be ahead of the curve as we go forward with the funding of these new opportunities.

And with that, I'll turn it back to Nelson.

Dr. Nelson Ludlow: Thank you, John.

I agree 100 percent. We're about growth, and we're at the beginning of the technology lifecycle curve, and we're not at the end of this.

So, in viewing the Company, rather than evaluating, trying to squeeze out a few more percent of EBITDA or earnings, it's much more important to focus on growth. We're at the beginning stages. There's many opportunities, and we need to get out there.

So, to recap, we increased the revenue this quarter by 25 percent over the first quarter 2009. We secured additional Defense ID contracts in the first quarter, and also, some in Q2, and we also won the retail chain Rooms To Go, and we're very excited about our Alliance Data partnership.

We've also added Lenel, FiXs--and FiXs authorization to expand our current products, and I've given you guys a glimpse of our law enforcement and shelf registration and our law enforcement products.

So, let me end with that, most of all, we're doing a full-court press on TSA for new airport opportunities, while we're continuing to grow our other current business areas.

So, we'll take some questions. Let me just say, we heard from a few investors on the last conference call that they were not able to ask questions. We never cut off any questioners, so what we're going to do this time is we'll wait longer for you to enter the question queue via the conference call system to ensure that no one is being left out.

I would--we would like you to address the questions you have, so please state your name, your organization, try to succinctly state your comment or question, and out of respect for the other listeners, we're not going to take repeated follow-up questions, but if you would like to ask additional questions, just simply reenter the question queue and we can get you on after we've taken questions from other people.

So, we're ready to-- and look forward to answering any questions you have.

Operator: Thank you.

We'll now be conducting a question and answer session.

If you would like to ask a question, please press star-one on your telephone keypad.

A confirmation tone will indicate your line is in question queue.

You may press star-two if you would like to remove your question from the queue.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

One moment, please, while we poll for questions.

Once again, that is star-one to ask a question.

Our first question comes from John Bendall from Hermitage Capital Corporation.

Mr. John Bendall: Yeah.

Hi, Nelson, how are you?

Dr. Nelson Ludlow: I'm good. How are you?

Mr. John Bendall: Fine, thanks.

Nelson, could you explain a little bit more to me, uh, as you said, yes, you would have caught the, uh, Times Square bomber at the, uh, last minute?

Let's say he got his ticket, and he's walking to board the plane. The ticket agent there, how would that go about? Would that mean that you would be checking everyone getting on or there's some method that would catch him there? How would that physically work?

Dr. Nelson Ludlow: Yeah, John. That's a really good question. I'd love to talk about that.

At JFK, what happened is this guy was placed on the-- Faisal was placed on the no-fly list, and there's approximately 20 layers of security that TSA uses--or the Department of Homeland Security uses, and one of those is the first one where the guy buys the ticket.

And what happens is the airline is supposed to check it to a list and make sure the guy isn't on the no-fly list. They're essentially checking that list to the list that they downloaded previously. So, if a guy shows up last-minute, pays cash, it could be problematic.

Well, in this case, and they announced on TV, that they do that only every 24 hours. For some reason--I have no idea why they did this--they announced that they're lowering it to two hours. Now, that's a step in the right direction. I don't think we should have told everyone it was two hours because you think terrorists will still respond, and they can get within the shorter window. But, for whatever reason, and if new people come in and buy cash and do it in short, they're going to get past that.

Now, here's the bad news for us for security. All the other layers of security are not going to stop him. He'll get all the way through the airport, and then one of the very last layers of security is when you board the aircraft, the passenger name record is sent to the Customs Border Patrol. They actually reviewed the list and said, "Wait a minute. That guy is on the no-fly list."

We've all seen in the news, and if you look at these cases, there's cases where in this case they arrested the guy after bringing him back. Three days later at JFK they brought an airplane back and said, "Oops, wrong guy."

A couple--two, three months ago, a plane was flying from South America, and they thought the exact same thing, and they made the plane have a forced landing in Florida, again to find out it was the wrong guy. It's ridiculous that we are checking at the last second.

And here's why it's ridiculous. Our product at the TSA checkpoint, when you show your boarding pass, when the guy shines that little black light on the ID card that does nothing, that's where we're advocating do something useful.

You're already taking out your ID. You're already showing your boarding pass. You're already having a TSA person stand there. Use our product, and we would be able

to match to the no-fly list or other terrorist lists, and we're actually advocating they do more than the no-fly list, because that's a rather small list of about 6,000 names.

One of the other lists is called Terrorist Identity Datamart Extract, TIDE or Tide, and the Christmas bomber, for example, was on the TIDE list, but he was not on the no-fly list. So, no-fly list means no fly. You get a red category, you're done. But, if you're in the TIDE list, it doesn't mean you can't fly, but we're advocating you get additional scrutiny, and you get to be checked out in those other applications.

So, let me just mention one more thing, John. In North America we tend to focus on catching the bomb. Countries like Israel, they spend more of their security emphasizing trying to catch the bomber.

Obviously, you need a blended or balanced approach to this, and the Times Square bomber, what was bad about that is this guy was a confirmed bomber, but yet he got on the aircraft because he didn't currently have a bomb. He walked right onto that plane, and since they didn't--they go, "Well, we checked him out. He didn't have a bomb." Yeah, but he's the bomber at Times Square.

So, we need a balanced approach on this. We're getting a lot of help from a lot of people, and I think that's why shareholders should be and why I'm excited of a bunch of reasons about this company, is our product makes absolute sense.

Operator: Thank you. Our next question comes from Gus Allen [sp] from Jay Financial.

Mr. Gus Allen: Good afternoon, Nelson. Nice to hear things are progressing.

Dr. Nelson Ludlow: Gus, how are you?

Mr. Gus Allen: I'm well, thank you.

A couple of questions around the TSA and airport security. Are there any other companies that can offer a competitive product that would do what Intellicheck Mobilisa's product can do at that airport terminal?

Dr. Nelson Ludlow: That's a good question, Gus. I think no.

I'll mention one company is L-1 that we all know, and I think they want to jump into that space. They have done some work in scanning boarding passes. We have done some work in airports in the past scanning IDs. I think that's the right way to go.

The other thing is our product is already at use at the President's airport. Andrews Air Force Base, Air Force One, uses our system. And what's cool about our system is not only does it read the driver's license, which the shareholders in Intellicheck know that we have the patents in that area, we also have technology and patents pending on how you match John Smith to John Smith.

And there's a lot of John Smiths out there, so just because you're on a terrorist list and just because the driver's license says John Smith, doesn't mean you're the guy. And we've been doing that for now five years successfully at West Point, at, uh, Air Force One, and the FBI Training Center is protected at Quantico with this system as well.

So, there's nobody that comes as close with the technology, the background, the other rollout in locations, and let me just mention price for a second, Gus. Wall Street Journal said ours is an extremely affordable product. We sell that handheld for just a little under \$8,000. And we could outfit all eight terminals, all 14 test locations, a little over a hundred TSA agents in spares and backup parts and everything, the whole thing for JFK Airport for about \$1.4 million, LaGuardia less, and most other airports are even smaller than that.

So, for your local airport, for listeners on here, for under a million dollars could be protected, and you could keep those people on--off the no--that are on the no-fly list from getting on your planes. It's unbelievable they haven't done it yet, and we're going to keep the pressure up until they do.

It makes no sense. It's very affordable, and we're ready to go. If--you know, if we got the green light from TSA, we could install equipment tomorrow.

Operator: Thank you.

Once again, if you do have a question, please press star-one at this time.

Our next question comes from William Reed from Reed Watson.

Mr. William Reed: Hey, thanks a lot for all the information, guys. I'm interested in the federal lawsuit that Intellicheck Mobilisa had filed against them, and I want to know if you developed contingencies for that lawsuit. Have you set up a reserve, and if so, how are you doing your planning?

Dr. Nelson Ludlow: Okay. You're talking about the lawsuit that was filed against us in December. Is that the one?

Mr. William Reed: Yeah.

Dr. Nelson Ludlow: Okay.

It's--well, one, I don't want to go into too many details about it, but it's not actually a huge issue with us. I believe--in fact, our company has stated several times we believe it's a frivolous lawsuit. We have certain protections under patents that allow our technology.

The Supreme Court has stated many times you don't have to share your technology with a competitor, and we've worked hard for this technology, and it has not

been--it hasn't affected operations, and it's not a major factor. We've asked for dismissal of the lawsuit. Lawsuits go super slow, as you may know.

Operator: Thank you.

Our next question comes from John Bendall from Hermitage Capital Corporation.

Mr. John Bendall: Yeah.

Nelson, I was going to say that the interview you gave on the Business Network was one of the best, I think, I'd ever seen. And when you were just speaking about outfitting an entire Kennedy airport for \$1.5 million, that's absolutely nothing, and I just can't imagine why they won't do it. I thought maybe you might have some comment whether it's political or just going through channels or not.

And also, too that last evening I noticed that on the immigration, you know, the guys going over the fences and all the--they were buying lots of fake driver's license because one of the things they--if they were stopped or caught, they wanted some identification. And I would think this could be a gigantic market for you all just to be able to see whether that license is real or not.

Dr. Nelson Ludlow: Yeah. Thanks, John.

Let me talk about the immigration thing first. Two different law enforcement groups in Arizona have spoke to us, and also we are at two military bases, an Army one and a Marine Corps one, in the state of Arizona. So, we know Arizona well, have a sales guy there right now, trying to work that.

We need to do it in a responsible way, a-- in a way that makes sense, but--and not trying to be pro or against whatever, how they've implemented it, the one nice thing is we can very quickly and easily, without hassle to the person and providing safety to the law

enforcement person, can quickly find out if that ID is fake and can, even more importantly, with our law enforcement product, tell them if they have Wants or Warrants or they're a dangerous, be on the lookout type of person, so it makes sense.

Now, go to the airport, I'm with you 100 percent, \$1.4 million for probably one of the country's largest airports puts this whole thing into perspective. And then you asked, well, why do I think it's not going to happen? I think it is going to happen. I can't say when, and we can't promise that it will. But, it makes so much sense. We're keeping the pressure on. It's an election year.

And, you know, Homeland Security's got a tough job. From their point of view, they have to scan hundreds and thousands of people. If they make one mistake, they get yelled at. It's a difficult process. And, sometimes people say, "Hey, you've got too many people on the no-fly list," and then later they're mad that they don't have enough.

It's a tough job for them. We're working with them, and they have to do things in a methodical, thought-out way.

And so I'm not trying to throw rocks at TSA. What I'm rather trying to do is help them with a solution, and I think we've got--I don't think you can find a product that makes more sense, that's more affordable, that could be rolled out and implemented faster and quicker than our product.

You know, full-body scanners, they probably make sense in certain applications, and, you know, a couple of the newspaper reporters said, "Yeah, but, the cost of with all those dozens and dozens and dozens of scanners at all eight terminals is just the cost of, you know, three or four full body scanners." For the price of that, you could outfit everybody with an ID-Check.

So, back to they need to find the bomb, and they need to find the bomber. So, the President this year has pledged \$1 billion in new screening technology, and we're trying hard to be part of that, and we think we're the logical first step for them to do.

Operator: Thank you.

Our next question comes from Austin Hopper from AWH Capital.

Mr. Austin Hopper: Thanks for taking my questions.

I appreciate the example of the Times Square bomber that you went through. Obviously, that just happened.

I don't understand. So, if the list at the airline counter, which you mentioned gets updated every 24 hours, and I guess now gets updated every two hours, so had that been updated sort of more--sort of sooner, I guess, would that have caught the guy? And then also, did he actually have a fake ID?

Dr. Nelson Ludlow: Okay. Good question, Austin.

One of the first layers of security is the airline itself. Now, it is a little interesting that we're putting Homeland Security requirements right onto the airline, and some people have questioned if we should do that, but we do.

And that's the layer of security you're talking about. Had they updated the list quicker, they would have said, "Yes, that's the guy on the no-fly list."

Now, to our knowledge, he did not use a fake ID. And he actually was a recent-- had a green card or a recent U.S. citizen, so he was living in the country and had identification and showed his correct identification. And if you look at the history, 9/11 and there's several of these cases, they also had IDs. Most of the 19--I believe the number was 17, actually had IDs and were not using fake names.

So there's two deals here. Somebody could use a fake ID, but a cool part is our technology can catch that. But, here's the other thing, or they often, as history shows, don't use a fake ID, don't use a fake name, we could catch that, too. And let me just point one last thing out. Had they had a full body scanner, that would not have caught the Times Square bomber. He would have sailed right through because he didn't currently have a bomb.

So, how and where it would work is it would work at the TSA checkpoint. So, hopefully, that answered your question. If I'm not leaving anything out, yeah.

Operator: Thank you.

Our next question comes from Ernest Keppengrow [sp], who is a private investor.

Mr. Ernest Keppengrow: Yes, good afternoon, gentlemen. I've got a couple of questions.

But, first, you can-- if you wouldn't mind, the contract that, or partnership or whatever you want to call it with Lenel, can you discuss that--you said they had over 18,000--is that customers or installations?

Dr. Nelson Ludlow: That's 18,000 rollouts of their product. So, it's kind of not customers and not locations. At--one location could have more sites with their product.

Mr. Ernest Keppengrow: Well, obviously, it's a large number. How do you monetize that for us?

Dr. Nelson Ludlow: Well--.

Mr. Ernest Keppengrow: --Or how would you monetize it in a perfect world?

Dr. Nelson Ludlow: Yeah, okay. Well, here's exactly how I would do it, Ernie.

There's 178 seaports. That's the market we're going after. And we have this TWIC card reader, and it talks about this in some conference calls, as you know.

And the issue is they have this TWIC card, and the government has held it up, world's smartest card. It is. It's got fingerprints. It's got PIN protection. It's got a smart chip. It's got an RF, radio frequency ID tag. It is probably the world's smartest card.

The problem is in reality it's the world's dumbest card without a reader. I can't get date of birth, which is required. Steve Williams and I went to Homeland Security less than a month ago, and I was walking through the front door, and the security guy said, "Well, I need to see an ID card." So, you know what card I pulled out? I pulled out my TWIC card, and they said, "I don't know what that card is."

I said, "You guys issue it. It's your card." And then they said, "Well, this doesn't even have date of birth. This doesn't satisfy standard DHS requirements for a card." And I go, "Yeah, that's probably true without a reader." And so, then they said the line I knew they were going to say which is, "Don't you just have a driver's license?" And I thought, "Well, good for us. Yeah, we do have a driver's license."

And then I got to share that story with the Homeland Security people inside, and they all shook their heads and said, "Aw, this is a mess." And it is a mess, and the reason it's a huge mess is we only flash that card.

What you guys may know is we're at San Francisco. We're at Tacoma. We're at Port Angeles. We're at three other ports now in addition to the Port Authority in New York.

What's cool about that is we have data that I don't believe any other company has that we know of the people that are showing that card, because when you show it with

our reader, we know exactly how many were reported lost, how many stolen, how many truck drivers showed up with a card who wasn't them because our reader said hey, your fingerprints don't match the guy that's in the car.

All the other ports in the United States are flash passing, meaning they take this card, they show it, and a guard goes, "Uh, it looks like you." It's ridiculous. I mean, that's probably--that is equally scary as the no-fly list problem because seaports are very vulnerable. Everyone's scared that someone's going to put a dirty bomb or something in a container or do something bad through a seaport and literally mail the bomb in or ship it in from a foreign country.

We need to do a better job there, and I give huge credit to the Port Authority of New York and New Jersey. They're the ones that stepped up. They're the port that said those cards aren't good enough. We need to have a reader, and they picked Intellicheck Mobilisa's reader. And even better, they said, we also not only want to validate that card and prove it's you and your fingerprints, we want to make sure you're a truck driver who belongs here, and we're going to match it to our existing Lenel system.

These ports already have existing systems, so imagine you're the port. You don't really want to go buy a whole bunch of new equipment for every punch card and every, PIN pad and every reader across the whole port. That's crazy. That's a lot of money.

So, it's a very good move on our part to link in with an existing access control system. And so what we've done is we've made--they get to keep their old Lenel system, and now it works with TWIC card readers because of Intellicheck Mobilisa.

Operator: Thank you.

Our next question comes from David Rich from Janney Montgomery Scott.

Mr. David Rich: Hello. Are you there, Nelson?

Dr. Nelson Ludlow: Yes, I am.

Mr. David Rich: Oh, good. Good to talk to you. God, I miss you, you know.

First of all, the presentation you gave today was about 4,000 light-years over anything we've done before, and that was just sensational.

One question I had, and I had to flip on and off, and maybe somebody asked this question, but I was going through one of the lines the other day at the airport, and one of the nice TSA inspectors was looking at me, you know, judiciously of course, and I said to him, "What's happening? Who's running the show? Is there going to be a TSA boss? Is it in the works?" We, you know, I was thinking of, you know, our company, and he said, "Well, from what I understand, we're close."

Do you have any insight into that, because I think that is what's going to help us and have us break through, don't you?

Dr. Nelson Ludlow: Hi, David, how are you doing?

Mr. David Rich: Good.

Dr. Nelson Ludlow: Well, so, you're saying the TSA guy was looking at you judiciously. I wonder--well, there's a lot of factors going on there. TSA isn't the only decision maker. There's another op called the Office of Screening and Coordination--.

Mr. David Rich: --Oh, I didn't know that--.

Dr. Nelson Ludlow: --Which is run out of DHS directly. And then there's other groups like Customs Border Protection that deal with that as well.

So, although they've gone--TSA has gone through several steps, and they lost one of their old interim directors and-- that still doesn't mean that that should affect our contract.

They are aware of this problem. They have a test facility in New Jersey. They're actively working it. So, I would say TSA is engaged and we're engaged with them.

Mr. David Rich: Oh, I thought--.

Operator: --I apologize, Dave. Please press star-one again.

David Rich, please press star-one. You're back in queue.

Mr. David Rich: Hello?

Dr. Nelson Ludlow: Hi, David. I can hear you.

Mr. David Rich: I'm sorry, we got a little--I don't know what happened there.

No, I was just saying I had thought that perhaps not having a boss of the TSA might have been holding us up. But, you said, maybe that's not what the problem is. I'm--.

Dr. Nelson Ludlow: --Well, I don't think so. DHS has been under a lot of scrutiny by a lot of people. I mean, I think you may remember the President of the United States did his connect-the-dots press conference after the Christmas bomber. They've got a lot of stuff going on.

And JFK, New York particularly, and they're very aware that this is a problem. And even though they have not--are still trying to sort out that--I mean, they do have a TSA director interim in place. And so we're working with their office. I do not believe that's affecting us getting a contract.

Operator: Thank you.

Once again, if you do have a question, please press star-one at this time.

Our next question comes from Harold Hammond, who is a private investor.

Mr. Harold Hammond: Yes, good afternoon. Everybody there?

Dr. Nelson Ludlow: Yes, we can hear you.

Mr. Harold Hammond: Yes, I had just a quick question.

Basically, this is reflecting on the stock price, and I guess the question is probably to either the PR firm or the CEO on what are they doing to generate more interest in this stock? Because it seems like it just is getting very sloppy looking?.

Dr. Nelson Ludlow: Yeah.

The stock price is always a tough thing, and sometimes it doesn't, in our opinion, reflect what the action is. One time we issued a-- a press release for retail use, in a group that could get us into 90 retailers.

It didn't seem to have much effect on the stock price, yet to me, from the operational point of view--this is Nelson Ludlow, the CEO, speaking--this was-- has potential to be one of our biggest contracts in the Company's history. This is getting our product to more retailers than we have ever, ever done before.

Now, maybe it was because that press release didn't explain it all or that's the advantage of conference calls. We can explain it better. We have gone to several investor conferences. We've done several road shows, and we've done several media opportunities.

I think you've seen that we've been on TheStreet.com. We've been on Fox News. We've been on Canada's Business News Network. We've been on NBC National News, on CBS.

Stock price is going a lot of different directions. One thing I'm very happy, and for the guys that were at the shareholders conference in Manhattan, you may remember the thing that I tasked the IR firm was that I wanted to get volume up, and volume has been considerably up. And we even had a 10 million trading share day on December 31st, and the volume has also been up since then, well up over the past.

And let me just say one other thing. It depends how you slice it. Yes, there's been a drop over the last few months. If you compare 2009, or 2010, for the year 2009, Russell Microcap Index ranked us--and maybe some of the shareholders don't know this--we were the number one performing stock in North America on stock price of all microcaps--number one. So, if somebody invested in January 2nd, of 2009, they did very well, and-- compared to that.

So, yeah, there's some ups and downs on this. This is definitely a microcap. This is definitely one that I think people can understand, with a couple big contracts, and things happening, this could change very rapidly. But, in the interim of that, it tends to kind of be all over the map.

Operator: Thank you.

At this time, we have no further questions. I'd like to turn the call back over to Nelson Ludlow for any closing comments.

Dr. Nelson Ludlow: Well, I want to thank everyone for being on the call. I liked your questions.

We're-- the investor relations group, who is our IR firm, is on our press releases. They will happily take calls. We want to get information to you. It's important.

I think we have an extremely good story to tell. Every time we meet with investors, do a road show, talk face-to-face with people and show them our products and see that, whether it's on the news or face-to-face, I think they're impressed, and they say yeah, we understand why this makes sense. And usually they're shocked that it isn't rolled out everywhere.

But if you look at other high-tech products and how they roll out, there's usually some initial resistance, and then until you get across from the innovators into the early adopters phase. My favorite book is called Crossing The Chasm by Geoffrey Moore. He talks about that specifically.

That's what we're doing. We have a product that makes sense. It's affordable. It's easy to use. We've got to educate our--the customers and the public of what it is, and--and we're getting there little by little, and we are growing. But we are adding more horsepower so that we can grow faster. That's what we're doing. Costs are going to come up a little, and we're going to focus on topline growth, because we, like you do, believe that this really has a lot of potential.

Operator: Thank you.

This does conclude today's teleconference.

You may disconnect your lines at this time.

Thank you for your participation.