

**Operator:** Greetings, and welcome to the Intellicheck Mobilisa's Fourth Quarter and End of Year 2008 Conference Call.

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

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 Mr. John Lange, General Counsel for Intellicheck Mobilisa.

Thank you. You may begin.

**Mr. John Lange:** Thank you very much, and welcome, everyone.

Thank you for joining us today for our 2008 fourth quarter and end of the year conference call to discuss Intellicheck Mobilisa's results for the fiscal quarter ending December 31, 2008, and to discuss other business development.

In a moment, I will call upon our CEO to lead today's call and introduce the other members of the 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 through the forward-looking statements.

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 as--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 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 projection or 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.

With that out of the way, I would now like to introduce Dr. Nelson Ludlow, Intellicheck Mobilisa's Chief Executive Officer, to preside over today's call.

**Mr. Nelson Ludlow:** Good afternoon, and good morning to our West Coast shareholders.

On the call with me today is Steve Williams, our Chief Operating Officer; and Pete Mundy, our Chief Financial Officer. And you just heard from Mr. John Lange, our General Counsel.

So, let me say up front, we did not put out an earnings press release or file the 10-K this morning. And this is because we are in discussions with our audit firm looking into the potential of a writedown of goodwill because our market cap, as with many other companies, is currently below our book value.

We've recently hired an outside expert firm to conduct a new valuation of the Company, and there are many factors to determine if impairment is warranted. And I thought it was better to take the time to get this right and, at the same time, still hold this conference call with our shareholders to answer any questions that you have and to talk about our recent progress.

We expect to file the 10-K and hold an additional conference call at one p.m. Eastern Time on Thursday, March 26, 2009. At that time, we will address specific financials and address any questions concerning the writedown of goodwill, if that is what we decide to do.

On today's call we will discuss our revenue, which though was undistinguished for Q4, did set a record for yearly revenue. And our Company continued to make money, and we are growing our cash and cash equivalent for this into approximately 3.4 million.

We'll also talk about a new product we're about to release, addition to the sales team, hiring an investor relations firm, an award of a new patent, and the status of our business development. So, we'll have a lot to talk about on this call.

What we won't be able to talk about today is the specific profit and loss, as we have not determined the non-cash expenses because of the goodwill writedown decision. We will give those numbers on March 26.

Now, while all the previous quarters' revenue since the merger has exceeded my internal projections, Q4 was less than that. The changeover of the government administration slowed government sales during the transition. And awaiting our authority to operate, or our certification from the military, and the ability to quickly

install late Q3 contracts that would have--in the past, would have posted in Q4, were some of the possible contributors.

Year-to-date revenue was approximately 10 million, and, when you add in the Mobilisa pre-merger revenue, which was a little over one million, that brings us to just over 11 million.

And even including a watershed fourth quarter from Mobilisa by itself in 2007, compared to an undistinguished Q4 for this year, we as a combined company outperformed last year and grew our revenues by nearly 10 percent.

We brought in more money than we spent in Q4, and also closed the year in the same situation for the entire year. So, we turned around from using 2.2 million in cash in operations from last year to generating positive cash of over 800k this year for nearly \$3 million swing in just over nine months.

We also--we improved our position in cash as well. As you know, to me, one of the best indicators of a company is what I call a health number, which is the cash and cash equivalents, plus your accounts receivable, minus accounts payable.

While this is not a GAAP number, it is useful to determine whether a business is moving in the right direction. In a healthy company, that number should go up, and the management team has improved the health number every quarter, and this was true for Q4 as well.

Therefore, we had no burn in cash in this quarter. And in fact, cash and investments at the end of the quarter were up, and closed on 31 December at 3.4 million, up from 30 September of 2.3 million.

Since Q4, we've also received an Army-wide certification, or authority to operate. And we've hired two new key people in our sales team. Ms. Debi Bainbridge and Mr. Ryan Anderson are two new senior people in our commercial sales team.

Ms. Bainbridge is working on the commercial sales to replicate our instant credit card approval systems at other retailers like we did for L.L. Bean and Target. And Mr. Ryan Anderson is leading the business development of a new product for rapid check-in at hotels by using the driver's license.

As promised on our last conference call, we have engaged an investment relations firm that I have high confidence in, Investor Relations Group and you can go to the Website, [www.investorrelationsgroup.com](http://www.investorrelationsgroup.com), which is led by Dr. Dian Griesel.

Also, Vice Admiral Kevin Moran and Mr. John McGonegal, formerly of AMEX, are key members of IRG. I'm very excited about working with them, and I look forward to that prospect.

We're also pleased to announce the sale of our Defense ID System to a commercial company of--called Force Protection--they're on NASDAQ as trading symbol FRPT--to help protect critical plants building military vehicles.

And also, as you read in today's announcement of a partnership with Georgia Technology Authority, or GTA, to provide an online tool provided by the state of Georgia that provides a simple and instant solution to stop anyone using fraudulent Georgia driver's license or identification card to access services.

Businesses can verify driver's license information against the state database to prudent--to prevent fraud, minimize loss and document verification when anyone presents a Georgia driver's license.

Also, we've receive a new patent for identity systems from the patent office that was just awarded, and we have over 10 other applications in various forms in the works for filing new intellectual property. Increased company value is often link to IP, and you will see that we're adding emphasis on intellectual property.

I view this conference call as a good opportunity to address questions and tell you about the customers and projects that we are working with. But first, I'll let Pete Mundy, our Chief Financial Officer, get you--give you a bit more color on the Company's quarterly financials.

Pete Mundy?

**Mr. Peter Mundy:** Thank you, Nelson.

As Nelson has stated, we are currently in the final stages of our audit, which has been delayed because of the ongoing evaluation of the carrying value of our goodwill, which was precipitated by the decline of the Company's stock price towards the end of the year, as well as the continued drop in our market price subsequent to year-end.

We are performing our analysis of impairment of goodwill in accordance with Statements of Accounting--of Financial Accounting Standards, SFAS 142, Goodwill and Other Intangible Assets, which is done annually as of December 31 each year.

The computation of the potential writedown is based upon a discounted cash flow analysis supported by comparable market multiples to determine the fair value of our business unit versus its book value.

The computations are complex, and any changes in the assumptions used could result in significant swings in the computed fair values. Therefore, as Nelson stated, we want to take the appropriate time to get this right.

It is important to note, however, that any goodwill writedown are non-cash charges and do not impact the Company's normal business operations. That being said, I'd like to discuss the unaudited results for 2008, subject to the finalization of the audit and the results of the goodwill impairment review.

I'd like to point out that the information I'm going to address includes the results of Mobilisa for the period March 15, 2008 through December 31, 2008, since the merger was completed on March 14, 2008.

For the year ending December 31, 2008, revenues increased 283 percent, or \$9,955,000, from \$3,512,000 for the year ending December 31, 2007. Revenues from the Company's historical business increased 12 percent to \$3,951,000, and Mobilisa's revenues contributed \$6,004,000.

As of December 31, 2008, our backlog, which represents non-cancelable orders for products not yet shipped or services to be performed, is approximately \$11.3 million compared to \$1.9 million as of December 31, 2007. This significant increase is principally a result of the backlog from Mobilisa.

Approximately \$6.8 million of the current backlog could be recognized over one to three years. Mobilisa has a significant amount of multi-year research and development contracts with the U.S. government that will be recognized as the research is performed.

In the Commercial ID market, the actual recognition periods are determined depending upon the release dates by the customer.

Our gross profit as a percentage of revenues amounted to 73.0 percent for the year ending December 31, 2008 compared to 60.4 percent for 2007. The gross profit percentage increase in 2008 was a result of the change in product mix.

The increase in the margin was principally a result of the high margin Mobilisa revenues in the quarter--or in the year, including R&D contracts where the related labor costs are included in research and development costs.

Total operating expenses increased by \$3,249,000, or 65.6, percent to \$8,205,000 for 2008 compared to \$4,956,000 for 2007. Expenses in the year ended December 31 include \$3,573,000 of Mobilisa costs as well as merger-related intangible amortization costs of \$1,287,000.

So, on a comparable basis, Intellicheck's historical operating costs decreased by \$1,611,000. This reduction is principally a result of merger-related synergy savings, including reductions in headcounts, reductions in sales and marketing expenses, lower legal and consulting fees.

Selling expenses were \$1,574,000 in 2008 compared to \$1,535,000 in 2007. General administrative expenses were \$4,301,000 in 2008 compared to \$2,333,000 in 2007. And research and development fees were \$2,330,000 in 2008 compared to \$1,088,000 in 2007.

Interest income decreased from \$162,000 for the year ending December 31, 2007 to \$61,000 for the same period in 2008, which is a result of a decrease in our cash and short-term investments as well as lower interest rates received on those investments during 2008.

As a result of the factors as noted above, our net loss decreased 66.7 percent to \$890,000 for the year ended December 31, 2008 from \$2,673,000 for the year ended December 31, 2007. Once again, this is before the impact of any necessary writedowns of goodwill.

Going to the fourth quarter, revenues for the quarter ending December 31, 2008 increased 207 percent to \$2,553,000 compared to \$1,230,000 for the previous year. Our gross profit percentage increased to 72.2 percent for the fourth quarter of 2008 compared to 58.2 percent in the fourth quarter 2007.

The gross profit percentage increase in 2008 was a result of the change in product mix. Once again, the increase in the margin was principally a result of the higher margin Mobilisa revenues for the quarter.

Total operating expenses, which consist of general, administrative, and research development expenses, increased \$1.1 million, or 98 percent, to \$2,229,000 for the fourth quarter of 2008 compared to \$1,126,000 for the fourth quarter of 2007.

Expenses in the fourth quarter of 2008 include \$1,096,000 of Mobilisa costs as well as merger-related intangible amortization costs of \$408,000. So, on a comparable basis, Intellicheck's historical operating costs decreased by \$401,000. This reduction in expenses is principally attributable to the same items I described above.

Selling expenses were \$402,000 in 2008 compared to \$374,000 in 2007. General administrative expenses were \$1,188,000 in 2008 compared to \$495,000 in 2007. And research and development fees were \$639,000 in 2008 compared to \$257,000 in 2007.

Interest income decreased by \$17,000 to \$9,000 in 2008 compared to \$26,000 in 2007, principally as a result of lower average invested funds and lower interest rates.

In the fourth quarter of 2008, we have not recorded a tax provision due to the expected utilization of net operating loss carry-forwards. We had a net loss in the fourth quarter of 2008 of \$378,000 prior to the impact of goodwill review compared to the net loss of \$385,000 for the fourth quarter of 2007.

Now, I'd like to focus on Company's liquidity and capital resources. Our financial position is strong. At December 31, 2008, we had approximately \$3.4 million in cash and cash equivalents and marketable securities and short-term investments. We have used no bank financing, nor do we have long-term debt.

We had working capital, defined as current assets less current liabilities, of \$2.2 million. Our ratio of current assets to current liabilities as of the end of the year, December 31, 2008, was 1.8 to 1.

During 2008, the Company increased its cash, marketable securities and short-term investments by \$1,358,000. Cash was generated from operating activities in the amount of \$805,000 in 2008 compared to a use of cash in operations of \$2,339,000 in 2007. This is a--primarily a result of a lower net loss, higher non-cash charges, principally from merger-related amortization charges, cash generated by a positive collection of accounts receivable, and offset by a reduction in non-cash adjustments for stock-based expenses, reductions in payables and accrued expenses, and the payment of Mobilisa's pre-acquisition income tax liability.

Cash provided by investing activities in 2008 increased \$9,000 to \$1,882,000 compared to \$1,873,000 in 2007. The Mobilisa acquisition brought in \$336,000 in cash to the Company in 2008, which was offset by lower net redemptions of marketable securities, short-term investments, and slightly higher net capital expenditures.

Cash provided by financing activities increased by \$89,000 to \$321,000 in 2008 compared to \$232,000 in 2007, which resulted from an increase in the proceeds of the issuance of common stock from the exercise of stock options.

Excluding the cash received from the merger, we generated positive net cash of \$1,022,000 during 2008 compared to a cash burn of \$2,243,000 in 2007.

Previously, we held a portion of our marketable securities and short-term investments in municipal auction rate securities, which experienced liquidity issues during 2008. In accordance with an agreement with the New York State Attorney General, our broker repurchased these securities at full value, including accrued interest, in November 2008.

At year-end, approximately 2.2 million of the Company's excess cash was invested in money market funds and bank certificate of deposits. The Company's investing strategy is to continue to invest in short-term liquid investments, with the emphasis on FDIC and SIPC ensured protection.

We currently anticipate that our available cash on hand and marketable securities, as well as the cash from our 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 it back over to Nelson.

**Mr. Nelson Ludlow:** Thanks, Pete.

Let's talk big-picture strategy here for a second. We converted the Company from the old Intellicheck that was losing money to a new company that is making money, but we're on the P&L line.

So, in my view, we're a good 10 to \$12 million a year revenue company, and we're making money without taking in account the non-cash expenses.

I want to shift this from a new--to a new level, to increase sales, to get up to the 20 to \$25 million a year in revenue. That likely will be from both organic and inorganic growth, and, for the organic growth, we want to beef up the sales team.

We must replicate our successful instant credit card applications by scanning a driver's license to other large retailers. And we need to win some pilot projects for the TWIC reader, the Transportation Worker ID Card reader, at the seaports, and to continue winning at the military bases and the federal government, particularly now that we're receiving full authority to operate or ATOs or credentialing for service-wide branches of the military.

So, you'll learn that we have a lot of business opportunities in the works. And our COO, Steve Williams, will describe our new projects and business developments.

Steve?

**Mr. Steve Williams:** Thank you, Nelson.

We continue to build all three business units: Wireless, Government Identity, and Commercial Identity.

The Wireless business unit continues to successfully develop the Floating Area Network, or FAN, the littoral sensor grid, or LSG, and our radiation hazard modeling software, or RADHAZ.

The Wireless team is working to complete the Floating Area Network system and be the lead integrator for the consolidated off-ship wireless systems supporting Trident Warrior 2010, a large-scale U.S. Navy exercise.

FAN was identified in Trident Warrior 2008 as one of the most promising new technologies. The integration of our Floating Area Network identified the utility of our

communications capability that allows for the integration of existing, or yet to be developed, hardware into a single inexpensive communication suite.

The littoral sensor grid utilizes the lessons learned during the development of the Floating Area Network to create an even more robust communication system to protect the littoral waterways around the globe.

With our partner, the University of Washington Advanced Physics Lab, we are creating the world's most advanced buoy communication system that allows for real-time monitoring of anything that is above, on, or below the surface of the water. We are currently on target with an additional four buoys by this summer.

The first buoy has been operational since last year. And you can see video from the buoy's camera, as well as the environmental conditions around the buoy, by visiting our Website at [buoy.icmobile.com](http://buoy.icmobile.com).

In collaboration with Poulsbo Marine Science Center in Poulsbo, Washington, we've installed an interactive demonstration to the littoral sensor grid to bring awareness to both the security and the environmental aspects of our system.

The radiation hazard modeling tool, or RADHAZ, continues to show promise with regards to expanding our market to areas other than the United States Air Force. We have seen significant interest in the ability to incorporate the ability to measure the effects of radio frequency on personnel in a field, but also to use our tool to incorporate buildings, and lay our output on Google Earth for an even greater application.

We continue to research additional opportunities for both our RF modeling applications, AIRchitect, and RADHAZ.

Our government identity systems have several business development efforts, continuing in the area of pursuing the certification and accreditation, or authority to operate--ATOs--pilot projects, and transportation workers identification credential reading.

Defense ID continues with its numerous accreditations and certifications. We have now received full accreditation for both the Navy and, most recently, the Army. We continue striving to obtain the Marine Corp certification, and we are participating in the Headquarters Marine Corp Annual Information Assurance Conference next week in Atlanta.

The significance of the ATOs is they are required to operate within the Department of Defense, and these accreditations open the way for our sales force to pursue numerous opportunities. This enables the military installations to purchase and install Defense ID.

We added yet another military installation to our growing list of clients, to bring the total number of facilities supported to over 70. Recurring revenues from subscriptions and supplies continue to provide a significant portion of our Defense ID sales.

We have successfully completed a pilot project for the United States Marshals to protect federal courthouses around the country. The pilot involved the use of our Defense ID system processing individuals entering federal buildings by identifying wanted felons.

In the first hours of the pilot, numerous wanted individuals were identified, and several were--arrests were made using our system as a screening tool of visitors to the

facility. We will continue to pursue this opportunity and expand the application to other venues.

We participated in the Conference of the New York and New Jersey Port Authorities in New York City. This was great exposure for our system, as the port operators saw the need for not only the ability to read the quick cards, but also to scan drivers licenses’.

Demand is uniquely suited for IDN [sp] as the recognized leader in driver’s license reading, and now the combination of that capability with our quick reading capability allows us to continue as the market leader.

Our Commercial identity systems continue to focus on Tier I retailers, grocers, casinos, and financial institutions. We continue with several pilot projects on the credit card application processes.

Successful completion of these projects will result in rollouts to national retailers and theme parks around the country. We will continue to focus on large retails--retailers within with this type of opportunity.

The casino market also continues to be a significant source of revenue. We recently completed a sale to Mohegan Sun. This is the largest sale to a casino to-date.

Our financial institutions create opportunities in a couple of areas, with a variety of form factors from loyalty programs to credit card applications. During this quarter, we completed the GE Finance Program for their event marketing, and we are working with other financial partners to capture additional business in the credit card market regarding event marketing and private credit card issuance.

In Q4 2008, we completed deployment of our credit card application solution in both Spanish and English, which creates a new market for our product. We had several large event rollouts: BJ's Wholesale Club, Dillard's, Belk, and IKEA. This application provides instant credit in a kit which can be easily deployed to any retailer venue.

We have partnered with a major financial services company, and our technology is used in a new bank account setup program, where it scans the driver's license. It is now beyond the pilot phase and installed at approximately 130 locations across the country. We are planning to use this application, also, for teller transactions.

As with government identity systems, our current customers continue to purchase additional recurring consumables. Recently, Toys "R" Us, renewed their annual subscriptions for the jurisdictional update into L-1, and Cross Match Technologies continued to purchase IDN's patented technology.

All businesses show continued growth, and we will continue to streamline expenses.

Thank you, and I'll turn it back to Nelson.

**Mr. Nelson Ludlow:** Thank you, Steve.

We have a lot of business opportunities in the works.

So, let me recap today's call. We did not formally release financials today. We will by March 26.

We are looking at writing down goodwill as a possibility because of the drop in our stock price. Although our stock price has dropped, we have had a record year in revenue, made money again this quarter, have no long-term debt, increased our cash and cash equivalent position to approximately 3.4 million.

We've added a new product. We've added the Army certification accreditation, for Army-wide. We've added a new investor relations firm called IRG, and we've added new people to our sales team.

So, we'd like to address the questions that you have, and, in respect to the other listeners, please state your name and organization, and try to clearly and succinctly state your comment or question.

And I look forward to answering your questions.

**Operator:** Thank you.

We will now be conducting the 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 that your line is in the question queue.

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

Our first question comes from Robert Shapiro.

Please state your question.

**Mr. Robert Shapiro:** Yes. Good afternoon, gentlemen.

I guess after the writedown of your goodwill, I don't think the market's really giving you a break about anything.

Do you view your stock as inexpensive? And will management be allowed to buy some shares? And then, I have a couple of follow-up questions.

**Mr. Nelson Ludlow:** The writedown goodwill is not--we have not yet determined that we're gonna do that. Obviously, the market cap price is below book the value, but there are other factors to evaluate, such as the discounted cash flow and several others that our CFO stated.

Let me just say it's not a done deal that we're going to do that.

And the second question is can management buy? Well, we're currently in the blackout period until we release the financials and make the final decision on the goodwill writedown on March 26. After that, we'll be open again and would be able to buy.

**Mr. Roberts Shapiro:** All right. Great.

I noticed recently that IBM has decided to go into the sensor buoy industry. Have you seen anything on that? And do you see that as an opportunity or as a problem?

**Mr. Nelson Ludlow:** I see it as an opportunity. I recently spoke at a conference for Marine Technology and Port Security, and there was a lot of different people there.

We were really the ones that did a full system, so we've been doing it a little longer than they have on the full buoy system. And we also have a wide range of sensors. And the other nice thing about it is we're getting paid to do this research and development.

It's an actual paid contract by the Navy for Homeland Security Environmental and Protection of naval forces. So, we're actually going to be building the largest rollout of buoys with the help of the University of Washington's Applied Physics Lab. But--so--.

**Mr. Robert Shapiro:** --What I found interesting was that IBM put a price tag of something like \$300 billion of what they thought the water purification and monitoring

business would be.

In any case, can you give us an idea of the new customers that you've gained in the last year from a commercial standpoint?

**Mr. Nelson Ludlow:** For buoys?

**Mr. Roberts Shapiro:** No, for all business. I noticed some new names there that I hadn't heard before, and I just wanted to hear them again.

**Mr. Nelson Ludlow:** Okay.

I'm gonna pass it over to--.

**Mr. Steve Williams:** --Hi. This is Steve.

I had mentioned a few of these: Belk, Dillard's, IKEA are the ones that come to mind. Disney, BJ's Wholesale Club, and a lot of these are through our financial partners. And with our addition of our new salespeople, you will, hopefully on the next quarterly call, see additional names.

Our focus is to build our sales team and grow it. We also had Payless Shoes, and we had Target and Toys "R" Us, who kind of--done their jurisdictional update.

So, we haven't, not to my knowledge, lost any large customers. We've gained large customers like L.L. Bean and others, so we hope that list of clients will continue to grow.

**Mr. Robert Shapiro:** Thank you.

**Operator:** Thank you.

Our next question comes from Buzzy Northen [sp] with Thompson Davis.

Please state your question.

**Mr. Buzzy Northen:** Good afternoon, guys, and congratulations on the progress

that's being made.

Just as an overview, which part of the business do you all see excites you the most right now heading into the second quarter of '09? And which part of the business would be--would you be able to quickly monetize to where it would make a meaningful contribution to earnings?

**Mr. Nelson Ludlow:** This is Nelson Ludlow.

All three of our sections have been growing, and they're all roughly doing about a third-a third-a third for the year. Fourth quarter, our government work was down. The wire--well, government identity systems was down. Government wireless work was up.

I'd say the one that excites me the most is the Commercial section, and it has a huge potential. We've added two new sales to the commercial side.

When we do one of these rollouts to a large retailer, when integrated into their point of sale system, I think you're noticing the gross margin is going up. And one of the reasons is is 'cause where the software business.

And we've got a very good product developed, and we have the patent on it. It works well from the retailer's point of view. If I can 12 times more likely capture someone to get a credit card in this economy, I can see why they're interested in it. I think the commercial market has got a lot of upside, and we're gonna go with that.

The other one, let me just add, is that the government systems that were--stalled last quarter due to the transition of the administration. Any time you have one administration kick over to another, the lead people, the new contracts, the direction things are going, I mean, the team that's going out isn't gonna launch some new big RFP, Request For Proposal, to go in a new direction.

I'm seeing some progress again in that they're putting new people in place and were very excited. We're at roughly a dozen Army forts and bases. Well, last week, we received full authority to operate an Army-wide certification for the whole Army. So, there's a lot of other Army bases, and so the government, one, can grow as well.

**Operator:** Thank you.

Our next question comes from Alan Braverman with R&R Associates. Please state your question.

**Mr. Alan Braverman:** Hey. Congratulations, guys. Good quarter.

Just a couple quick questions. Can you add any color to how long your customer list is, what the average length of a contract in general might be, what the ARPU might be, anything like that? It sounds like you have a really long list of customers.

**Mr. Nelson Ludlow:** Hi, Alan. This is Nelson. Nice to meet you.

And we do have a wide range of customers. And on the smaller end--and I'm been asked Steve to add on to what I just said here--but on the smaller end, we're at casinos and restaurants. And so, there's a lot of lower dollar ones up to the large retailers to military bases. So, it's kind of a wide range of customers.

They often buy--let me talk about the retailers for a second. They often buy our system, and then they get yearly updates to it. Why? Driver's licenses are changing, there's updates, software goes stale, and you need to be supported. So, they usually do that.

And then, in military systems, the way we sell it is we sell the equipment and installation, but they buy subscriptions, which they usually buy in groups of three-year periods. We have some as long as five years, and some as short as just a few months.

And so, they get a monthly subscription--we get a monthly subscription to that. We also sell warranties. And what I've been doing is, when we merge the company, we're shifting to total product offering. So, we also get paid for that customer service support desk end of things, as well.

**Mr. Steve Williams:** Yeah. This is Steve. A couple comments.

In the commercial segment, what you'll see is, post-merger, we're trying to structure our contracts in a similar fashion. They usually are three to five years to include jurisdictional updates.

In the commercial segment we focus on enterprise license, so there's a large up-front revenue that's recognized immediately because you need the enterprise license to deploy the system. But, we also build in there that jurisdictional updates, as Nelson mentioned, and that's usually three to five years.

Our focus is, in three to five years, their hardware is probably going to be outdated, and then we're gonna need to go and do some additional work for them, which is kind of the way we structure our deals.

The government space is exactly the same, three to five years. We anticipate that a new handheld or some other device will come out by then, and we'll look for the next best widget, if you will, to--because once you get a customer and they know your support level, it's hard to lose them unless you really go bad, and we don't lose customers.

**Mr. Alan Braverman:** And just as follow-up, what is your retention rate, if you can quantify that at all? And who do you consider your chief competitors out there for what you're doing?

**Mr. Steve Williams:** I'm not sure that we know off the top of our head an exact

retention rate, but, in the government space, all our handhelds are operational. We--no one has put our devices in a box. If anything, they actually come back and buy more.

In the commercial space, post-merger, what we realized is that we weren't servicing those accounts as well as we could have with regard to capturing revenue on jurisdictional updates.

So, we're building that list. But, in the commercial space, it's literally hundreds. And frankly, off the top of my head, I don't have anyone in the last year that I'm aware of that abandoned our system, frankly.

Right. Exactly. Pete Mundy, our CFO, is reminding me that--bars and nightclubs, but those are long revenues--or short--or not very large revenue accounts. Those are accounts that, post-merger, you've seen us service less and focus more on chains.

**Mr. Alan Braverman:** Well, great.

Congratulations, guys. Great transition.

**Mr. Nelson Ludlow:** Thank you.

**Operator:** Thank you.

Just a reminder, to ask a question, please press star-one.

Our next question comes from John Gruber with Gruber McCain--McBaine Capital Management. Please state your question.

**Mr. John Gruber:** Good afternoon.

I guess my question is, is the quarter is basically over? In the March quarter, we got, you know, a week-and-a-half. Any--I might've missed it, but any guidance on that quarter?

And then, for the new year, what's your thoughts on, you know, how the year's looking, as far as initial guidance there, too, on revenue?

**Mr. Nelson Ludlow:** Hi, John. Nelson. Good to hear from you again.

Yeah. I think you saw that I was--I viewed Q4 as not remarkable. It was less than I'd hoped. Mobilisa by itself in '07 had a very outstanding Q4.

And so, we ended up--and you've seen a pattern in the past were Q1 is less, Q4 is stronger. We ended up with a lesser Q4 this year, and let me just say quickly what--couple reasons why that I think I said before.

The government transition--really, the rest of our sectors did okay. It was the government identity systems that dropped. I think that's gonna be picking up because of the recent Army authority to operate. So, that's a good sign.

The other reason is we did a very good job in Q3, took ourselves profitable in Q3, not only made money but, in GAAP terms, went profitable. And a lot of that had to do with our install team, and our processes were so good that we installed three major military bases on September 30, the last day of the quarter, that normally would have invoiced and posted in Q4.

So, government fiscal year is September 30. We get a lot of purchases then, and usually they spill over into Q4. This year, we posted them in Q3.

I still think that it's gonna be similar in that Q1 is a lesser quarter and Q4 is a stronger quarter. Even though that didn't exactly happen this--in '08, I still expect that trend. As far as specific numbers, you know, we don't give guidance as to specific numbers.

But, strategically, what I'm trying to do with the Company now is I view that

we've got us to a good 10, \$12 million type of company. We're right on the P&L line. We're making money. You can see that we brought the cash up. Were making money, but, with non-cash expenses, we're right on that P&L line.

What we've got to do is grow the company, and we've got to particularly do that in the sales team. We have a very small sales team. We're not going after all the sales leads we should. We're--so, we're really beefing it up in that direction.

This is good. We got good technology. We've got good patents. We've got good a support team in place. What we've got to do is go out and make more sales. So, I want to get us to that 20 to \$25 million mark.

I can't give a timeline on that, but it means it's a cultural shift in the company, and that's the direction I'm trying go.

**Operator:** Thank you.

Our next question is from Robert Shapiro, with--private investor. Please state your question.

**Mr. Robert Shapiro:** Yes, gentlemen, just a follow-up.

Nelson, when you say 25 million, I hope you're meaning that's your first target.

In any case, as far as the Army bases go, can you tell us how many Army bases are there in the country? How many other military installations are there that are potentially out there? How many ports are there?

And what you think the total size of the whole market would be? What is the average sale per base? So, potentially, you know, we're looking at some kind of number as a point of reference for ourselves.

**Mr. Nelson Ludlow:** Okay.

Let me give you a couple--there's 178 seaports that are under the TWIC purview, so there's several ports that are super-small, like sailboats and whatever they got that don't fall into this, but operating seaports in the United States, 178.

As of now, they're still required--by April 15th, they still have that transportation worker ID card. The Obama Administration and Secretary Napolitani [sic] may make some changes in that, but that has not happened as of yet.

And we are one of the very few certified products for that, and so, we're still pushing on the TWIC program. And I'm hoping, with the new administration, we'll see something rolled out on that.

Military bases, there's approximately 350, but they vary in size. There's probably about 100--let me say approximately 150 to 175 larger military bases and a whole bunch of small ones. The larger ones typically purchase about a \$250,000 purchase.

We've had ones that were bigger than that, and we've--I can give you an example. Walter Reed bought quite a bit of equipment, and it was closer to a half-a-million dollar sale.

**Mr. Robert Shapiro:** So, you're saying that there's 175--150 to 175 larger military installations, and you got 50 percent of those. You're talking about close to \$20 million in revenue from that just alone.

**Mr. Nelson Ludlow:** If--correct.

**Mr. Robert Shapiro:** If it happened all in one year, obviously.

Another thing about the TWICs I find interesting, my son just got his TWIC card at the Maritime Academy, and they have no machine to verify it.

**Mr. Nelson Ludlow:** That's exactly right. It's an amazingly huge oversight by

Homeland Security.

**Mr. Robert Shapiro:** They require 2,000 cadets get their TWIC cards, and yet nobody can verify them, even when they go to the ports. That doesn't make a hell of a lot of sense.

**Mr. Nelson Ludlow:** It's crazy, and I've spoke to the Senator in charge of appropriations for transportation, and I've spoke to many other government officials. I think they're all in concurrence that it's a huge oversight. It's a big mistake by the government.

These cards are advanced cards. I mean, there's fingerprints, there's a smart chip, there's an RFID radio chip inside this card. How in the heck can some guy just look at it and figured any of that out?

You've got to have a reader. We make those readers. We have the software that does it, and I'm pushing on the government that they do the right thing and they make the seaports go to the next step. They required that--everybody to get the card, so let's now--let's get some readers out there that can read them.

**Mr. Robert Shapiro:** Good luck.

**Mr. Nelson Ludlow:** Thank you.

And yes, we're not gonna just--we're gonna pursue it, and not just by luck, but by pushing on the government to do the right thing. I think that we'll get there, but, as of right now, they haven't.

**Mr. Robert Shapiro:** Thank you, sir.

**Mr. Nelson Ludlow:** Thank you.

**Operator:** Our next question comes from Marvin Liebowitz. Please state your

question.

**Mr. Martin Liebowitz:** My question was already answered. I was gonna ask about the TWIC reader. So, I'll just bypass for now.

**Mr. Steve Williams:** Okay.

Thank you, sir.

**Operator:** Ladies and gentlemen, there are no further questions at this time.

I'll turn the conference back over to management for any closing remarks. Thank you.

**Mr. Steve Williams:** Okay.

I--thank you to the shareholders for asking questions. You can see that we had another quarter where we made money. But, like I said, we did not release the formal financials, and it has to do particularly with the analysis of goodwill writedowns.

We're going to have several meetings over the next few days and get that sorted out with the firm that we hired that's an expert in valuation, as well as with our audit firm and the management team to come to an agreement on what the right approach to that is.

Let me just add one thing. These are non-cash expenses. It does not affect the operating ability of the company. We still grew the cash to \$3.4 million. We still made money. But, on a GAAP analysis for P&L, definitely these--the--a writedown of goodwill has an effect on that on a non-cash basis.

So, we're gonna get that answered, but we've got to do this right. And we expect to have that to you on or before March 26, and we will have a March 26, one p.m. Eastern, 10 a.m. Pacific conference call, and we will particularly address that issue.

And as always, if you have other questions about what we're doing or a business

development or things, that gives us another opportunity to talk to our shareholders.

And let me just end on one other thing. With our new investor relations group, IRG, we've just engaged with them. This is new, so they have not had any impact on-- what I would say, on this investors call. But, they will in the future in our conference calls, as well as getting information out to the shareholders, which I know you definitely want and we want to do as well, to get that information to you.

So, I'm excited that we're adding this IR firm, and I think you'll appreciate that, as well.

So, thank you to all of you, and we'll see you on March 26.

**Operator:** Thank you.

This concludes today's teleconference. You may disconnect your lines at this time. Thank you all for your participation.