

INTELLI-CHECK – MOBILISA, INC.

Moderator: Adam Lowenstein
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12:00 p.m. CT

Operator: Good day everyone and welcome to the Intelli-Check Mobilisa first quarter 2008 earnings call.

Today's conference is being recorded. At this time, I would like to turn the conference over to Adam Lowenstein. Please go ahead, sir.

Adam Lowenstein: Thank you very much, Teri and welcome everyone. Thank you for joining us today to discuss Intelli-Check – Mobilisa's financial results for the fiscal quarter ended March 31st, 2008 and other business developments. In a moment, I will call upon Dr. Nelson Ludlow, CEO, to conduct today's call, and introduce other members of Intelli-Check – Mobilisa's management team, who will be participating in this conference call. Before I do that, I will take a few moments 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", "encourage" 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 identified as forward-looking statements. Our actual results may differ materially from the information presented here. There is no assurance of previous results of customers' purchasing or using our identity or wireless technology will lead to additional sales. 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. We do not assume any obligation to update the forward-looking information.

With that out of the way, I would now like to introduce Dr. Nelson Ludlow, Intelli-Check – Mobilisa's Chief Executive Officer, to preside over today's call. Nelson, please proceed.

Nelson Ludlow: Thank you, Adam. Good afternoon and good morning to our West Coast shareholders. We welcome to you the Intelli-Check – Mobilisa's 2008 first quarter conference call. And although we had our last conference call only six weeks ago to present the end of the year results, this is a real good opportunity to tell you about our new accomplishments and to present the first quarter results.

This is our first conference call where we have formally combined the company and the results since we completed the merger of the two companies on March 14th. And with me today on the call and also presenting are Pete Mundy, our Chief Financial Officer and Steve Williams, our Chief Operating Officer. And also with me is Mr. Jeff Levy, Intelli-Check – Mobilisa's Chairman. And we are all calling in from our Washington, D.C. area office, and Pete Mundy is calling in from our New York office. And since we have several new investors on the call, let's do a brief recap of the events that technically happened in the first quarter.

On January 8th, prior to the merger, I ran the operations at both Intelli-Check and Mobilisa, even though technically we were two separate companies. Now that allowed us to jump-start the integration of the operations, really to get a good assessment of where changes needed to be made, and ultimately to make those changes sooner than later. And I want to thank the board and particularly Jeff Levy; I want to thank you, for allowing me to do that. I think that helped us and hopefully reflects in these results.

In February, we released the proxy statement concerning the merger. Jeff Levy and I met with several of the investors personally. We did video teleconferences to present our proposal of how we intended to combine the companies. And as most of you know, on March 14th, the

shareholders overwhelmingly approved all five items of the proxy. Approximately 99 percent of the shareholders approved the terms of the merger. Right after the shareholders' vote, we followed with the necessary documents to file for new incorporation, formally completing the merger that day. Immediately after the shareholders' meeting, the new combined Board of Directors met and organized. Within a week, we formally appointed and announced Steve Williams as our new Chief Operating Officer.

Now we spent a lot of work getting the company focused on sales, increasing the top line, increasing revenue is my number one goal, and we have taken several steps to improve the sales teams, the product line, the sales process and product support in an effort to do that. Particularly, we have made personnel changes and we have cut 857K a year in labor costs compared to the Intelli-Check of June of this last year. And as you are going to see later, with those costs of cutting labor, we're actually able to increase our revenue with that cut in labor.

We have restructured the sales team. We held two intensive all-hands sales meetings here in Washington, D.C. to explain the new products, new training, basically a new sales approach. We are now focused on applications and full customer support, not just reselling the software development kit.

In addition to combining the products, we have renamed the products to reflect them as our own products, not by the hardware name of the platform of some other company. This is critical when dealing with mobile handheld or PDAs. Customers identify the provider as the one who has the name on the hardware device, not the software inside. So we are rebranding all of our products with our name, or at least to say something to the effect that Intelli-Check technology is inside. As it is our system, we are the ones providing the system and we intend to service and support what we sell.

We also have combined the best technologies of the two groups into our products. Let me give you just one example. Intelli-Check has the superior driver's license parsing engine, it is the best around, and that's been included in several of Mobilisa's products, including the Defense ID product line.

Most importantly, we are developing new products. Intelli-Check – Mobilisa is pleased to announce that we were the first to develop a TWIC, or Transportation Worker Identity Credential mobile reader. We announced that new product launch of the IM2700 or the TWIC reader at the recent GovSec conference in Washington, D.C., just three weeks ago.

Now the TWIC is the largest ID issuing project by the Department of Homeland Security to date. They expect to issue nearly two million cards to all the workers at every U.S. seaport and eventually all the workers at every U.S. airport. For example, if a truck driver delivers goods to a U.S. seaport, they have to have a TWIC card. So the government is requiring all transportation workers to have this card, and originally it was by September of this year, but recently that was extended to April 15th of 2009.

The government is serious about this program. If you visit a seaport, take a look at the entry points and you will see the new Homeland Security signs announcing this new requirement . This program is happening and a large number of cards have already been issued to date. And we have aggressively jumped into this market because DHS was issuing TWIC cards, but this is going to be hard to believe, they did not have any TWIC readers. So that is why we developed a TWIC reader.

And our TWIC reader is really an advanced product. It can read an RFID (Radio Frequency ID), proximity card, a smart chip, fingerprints or biometrics. It even has pin decode technology, and it also accesses the Homeland Security's lost, stolen or validation list of cards. Taking that

technology that we have already built into a product, coupled with Intelli-Check – Mobilisa's patented driver's license reading and quickly checking if your cardholder is on a bad guy list, that technology makes this not only the first product out there, but ultimately the best product, even if and when some other company's TWIC reader do become available.

I mean, really bottom line, this type of reader can stop terrorism. And as a result, it could save lives. To me, it's a big deal.

There are 167 seaports in the United States, and our sales force is going to aggressively go after this new market. The handheld is going to retail for around \$10,000 a handheld, and we will provide full product install, training, warranty, support; very similar to what we did for our military customers such as Army's West Point, or Air Force Andrews Air Force base, home to Air Force One, or the Navy nuclear submarines bases.

Our military bases average for around 250K per base after the equipment, installation, training and subscription. We project that the seaports will require even more equipment, as they have several more entry points, and estimate an average installation two to four times larger than the size of the military installation.

Now let's talk about the headquarters. We have moved the headquarters of the company to Port Townsend, Washington State. We have moved a lot of the functions – purchasing, administration, operations functions – to Port Townsend. And we will be combining other functions such as payroll and inventory management into the Port Townsend headquarters as well. Sales, marketing, communications are correctly located here in Washington, D.C. And the engineering and R&D are at both the Washington State and at the New York Long Island facility.

This streamlines operations to a proven process and team that we used at Mobilisa and that's why Mobilisa was successful. It also cuts the cost of redundant functions. And as you know, we have already made changes in the sales and business development groups of Intelli-Check. The technical team along with Pete Mundy, the finance and accounting functions, are going to be in Woodbury, New York. The result is essentially that it is the management team of Mobilisa coupled with Pete Mundy's team and the technical team of Russ Embry in New York.

Now I have introduced the company to several new metrics. We have project charge codes. We track hours on every project, whether it's direct or indirect billing. We now submit weekly status reports. The purpose of this is that it allows us to track projects much better, to realize the financial cost of a project and to estimate those costs better for future projects; most of all, to become more efficient to improve our bottom line. We've also added several metrics and internal reporting to our sales team, and we are making improvements. And that is not happening by accident. We can and we do now have control and are tracking our progress.

As you may know, we structured the merger so that Mobilisa would be a wholly-owned subsidiary under the parent of Intelli-Check – Mobilisa. And we did that so that existing government contracts would not have to be novated to a new name, and be able to keep the same tax IDs, state codes and contract vehicles such as GSA, and our government facility security clearance all intact. And this idea has really worked out well.

As a combined company, we now have the advantage of a HUB zone or a Historically Underutilized Business district. That applies to the entire company. It gives us several government contract advantages very similar to being a minority-owned business. These are a few of the reasons we moved the headquarters to Washington State.

Now, I want to recap for the new investors that due to this merger we've more than doubled the personnel of the company, we tripled the size of the technical staff of engineers and technicians, and have quadrupled the size of customer support services. Our customers have already seen an increased emphasis on customer service.

And to repeat from the last call, in terms of marketing, a company can either be best in price or best in features or best in customer service. Intelli-Check – Mobilisa will be emphasizing best in customer service. We intend to provide our customers with first-rate installation, training and follow-on support, and to increase our product line by having a total product offering. That is going to allow our customers to have one-stop shopping for identity and wireless security services.

To switch topics to intellectual property, we are pleased to announce a new General Counsel, John Lange. I have worked with John for several years. He was the past Chief Legal Officer of cardplayer.com and he was a partner at Preston Gates & Ellis, which is now called K&L Gates, which is our law firm.

John is a strong business lawyer and his specialty is intellectual property. And again, that is not by accident. You are going to see that building and protecting our IP portfolio is very important to us. And that is exactly why we hired John as our inside counsel. Now we of course will still use outside counsel, but this should signal the direction that we are heading.

Now just before we announce the results, I want you to know we're emphasizing to getting our story out to new investors. That is important to all of us. Our management team rang the opening bell at the AMEX on April 4th, generating interest which resulted in television and several print interviews. We've met with several new investors. Pete Mundy and I presented at last week's AeA Micro Cap Conference on the West Coast. And if you review the Mutual Fund Facts

About Individual Stocks, MFFAIS.com Web site, you can see that several institutions and mutual funds are reporting their holdings of Intelli-Check – Mobilisa. And since February 14th, if you take the shares bought versus sold by institutions, we were approximately 690,000 new shares bought versus 47,000 sold. That is a 14 to 1 ratio of shares bought versus sold by institutions for mutual funds. So this is another good sign.

So let's look at our first quarter results, and I will let Pete Mundy give the details of that and Steve Williams talk about the sales and where we're going, but today you're going to learn, in terms of revenue, Intelli-Check by itself grew by 20 percent in revenue compared to quarter one from last year. That is without the contribution of Mobilisa. Combined, the revenues grew by 68 percent compared to last year. Mobilisa by itself grew by 98 percent in revenue for quarter one from 2007 to 2008. So in terms of meeting our #1 goal of increasing revenues, you can see we successfully started down that path.

Similarly we cut the burn of cash. The cash burn for quarter one was less than 30,000 a month. If you read the past 10-Qs or you have followed the stock for a while, you'll see we are making good progress in this area. Our new bookings were nearly doubled over this time last year. The combined revenue for the two groups for quarter one was over 2.2 million. Our bottom line was better with the combined net loss decreasing to 450K roughly which compared to last year's quarter loss of 622,000. So we are better in those two areas as well.

Even though Mobilisa's numbers only contributed essentially for two weeks on the merger – or post-merger in this quarter, the results of that contribution of Mobilisa generating 330K in revenue and over 100K in the net gain. In recent press releases, you may have seen that we announced a new \$1 million Navy contract and another three-quarter-of-a-million dollar Air Force contract. We're making good progress on our commercial programs. We have announced new important products, and we have added a general counsel to build and protect our IP portfolio.

All in all, this is a very good start to the year. We are very excited about IDN's future.

Pete Mundy will cover the results from Intelli-Check – Mobilisa's operations for the first quarter which were released this morning in a press release, as well as discuss the balance sheet for the period ending March 31st, 2008. Then Steve Williams will bring you up to date on our recent and current sales activity. And I will provide a summary of the combined company. And all of us including Jeff Levy are available to answer any questions at the end.

Pete?

Peter Mundy: Thank you, Nelson. Good day to everyone. I would like to discuss some of the pertinent financial information that was contained in our press release for the quarter ending March 31, 2008 which we put out this morning. Our auditors are still reviewing the disclosures related to the merger and we anticipate the complete quarterly report on Form 10-Q will be filed with the SEC by Thursday.

I would like to point out that the information I am going to address as well as the reported results in the financial tables of the press release include the results of Mobilisa for the period of March 15, 2008 through March 31, 2008 since the merger with Mobilisa was completed on March 14, 2008.

Revenues for the quarter ending March 31, 2008 increased 68 percent to \$1,153,000 compared to \$685,000 for the previous year. Revenues from the company's historical business increased 20 percent to \$821,000 and Mobilisa's revenues contributed \$332,000.

Total booked orders increased 89 percent in the first quarter of 2008, to \$1.1 million from \$585,000 in the first quarter of 2007. As of March 31, our backlog, which represents non-cancelable sales orders for products and services not yet shipped or performed, was approximately \$12.7 million, compared to \$1.1 million at the end of March 31, 2007. This significant increase is principally the result of \$10.6 million added by Mobilisa.

Approximately \$8 million of the current backlog could be recognized over one to four 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 percentage increased to 70.9 percent for the first quarter of 2008 compared to 65.4 percent in the first quarter of 2007. The gross profit percentage increase in 2008 was the result of a change in product mix. The increase in the margin was principally a result of the high-margin Mobilisa revenues in the quarter.

Total operating expenses increased by \$174,000, or 16 percent, to \$1,299,000 for the first quarter of 2008, compared to \$1,125,000 for the first quarter of 2007. Expenses in the first quarter of 2008 include \$201,000 of Mobilisa costs as well as merger-related intangible amortization costs of \$61,000. So, on a comparative basis, Intelli-Check's historical operating costs decreased by \$88,000.

Interest income decreased by \$24,000 to \$31,000 in 2008 compared to \$55,000 in 2007, principally as a result of lower average invested funds.

For these reasons, our net loss in the first quarter of 2008 decreased by 34 percent to \$451,000 or three cents per share compared to a net loss of \$622,000 or five cents per share for the first quarter of 2007.

At this point, I'd like to review the company's liquidity and capital resources.

At March 31, 2008, we had approximately \$2.3 million in cash and cash equivalents and short-term investments. We had no bank financing and no long-term debt. There was a significant increase in assets during the first quarter. Total assets increased from \$4.1 million at December 31, 2007 to \$56.7 million as of March 31, 2008.

As part of the merger on March 14, 2008, the former shareholders of Mobilisa received a number of shares of Intelli-Check common stock, such that they own 50 percent of Intelli-Check's common stock and approximately 50 percent of the total outstanding derivative securities on a post-merger basis. The aggregate value of the purchase consideration was equal to \$51.2 million based upon the closing stock of our common stock on November 20th, 2007 of \$3.54 per share. Under purchase accounting rules, principally all of the purchase price was allocated to identifiable intangibles and goodwill on the balance sheet.

Working capital, defined as current assets less current liabilities, was \$1.2 million. Our ratio of current assets to current liabilities as of the quarter ending March 31st, 2008, was 1.4 to 1.

The merger with Mobilisa brought in approximately \$336,000 in cash to the company. Excluding this cash, we burned \$82,000 in cash during the quarter. We received no cash from stock option exercised in the first quarter of 2008. 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 will now turn over the discussion to Nelson to discuss Mobilisa's business, and then Steve to discuss our current and future marketing opportunities. Nelson?

Nelson Ludlow: Thank you, Pete. As you can see, our combined company had a good first quarter. Let me comment on the big picture look at the financials and a brief discussion of how Mobilisa's numbers fall into the combined company.

In reviewing the financials of both companies separately, I found that both Intelli-Check and Mobilisa's financials were seasonal. They were traditionally weakest in the first quarter, then grew throughout the year with the fourth quarter being the strongest. And this trend has occurred for approximately three years at both companies. So given that the first quarter is traditionally the toughest for each of our business units, we did rather well. We are well on-track to make our goal of making the combined company cash flow positive.

Mobilisa by itself on the first quarter revenue was up approximately 98 percent compared to first quarter revenue. Their first quarter revenues were \$1.378 million and contributed 332K to the combined company's first quarter results for those two weeks post-merger. Mobilisa's first quarter earnings before interest and taxes, or EBIT, was typical to last year at this time with a net loss of \$391,000 for the quarter. But the way it was split pre-merger and post-merger, Mobilisa contributed \$102,000 net gain for the combined company. At the time of the merger, Mobilisa had a backlog of \$10.9 million and \$336,000 in cash, and approximately 1.4 million in accounts receivable.

This will be the last time we'll report on Mobilisa by itself, since at this point we're merged, it's important to us that we are one company, and from now on we are going to be reporting the numbers for one company.

I will now turn it over to Steve Williams, our Chief Operating Officer, who will discuss the first quarter's sales and operations and future sales activities.

Steve Williams: Thank you, Nelson. The first quarter results continue to show the progress towards executing our strategy, moving to the direction of full turn-key product solutions. Applications that we'll build and support, as opposed to selling software developing kit that allows others to build applications. Our change in the business model is paying off. Our primary sales target is the customer who uses our technology and products as a productivity enhancement for a variety of applications.

For example, the first quarter of 2008 for Intelli-Check-Mobilisa, we had sales of approximately \$1 million. On our commercial business, the unit had approximately 600K in sales in the first quarter. We focused on two major areas, financial services and age verification. Our financial services recently received new contracts with Chase and Disney, as well as Barclays. Our age verification focus using our ID reading products continues to increase our customer base which includes casinos, liquor stores and bars. We also had recent sales to Sunoco, strengthening our position in productivity enhancement. We are currently conducting a pilot and negotiating other pilots to start this quarter using our products to enhance productivity.

In our government space, Defense ID, we had approximate sales of 300K in the first quarter of 2008 for Mobilisa. Even though traditionally we see little activity in new government sales in the first quarter, this year we had several new contracts. Our Defense ID products were purchased this quarter by the Army, the Navy and the U.S. Air Force for their bases.

We are also negotiating a pilot that began this quarter supporting another federal agency, furthering our efforts to expand the use of Defense ID beyond the Department of Defense. As an

example, this morning we received a new contract with the Veteran's Administration Medical Center in Philadelphia for approximately \$100,000. This is yet another new client base for Defense ID.

With regards to the certification, the Army, Navy, and Air Force have started service-wide certification accreditations for our products. I personally accompanied the Army teams who thoroughly inspected our system. They looked at our IM2500 Defense ID handheld at Fort Dix, New Jersey. Next week I will accompany the Navy team to accomplish a similar process.

You may remember there was a terrorist incident at Fort Dix in New Jersey. After that event, the base did a through review of products available and competitively selected the Intelli-Check – Mobilisa system. After the team conducted testing at Fort Dix, they continued testing our Secured Network Operations Center in Washington State.

We also recently joined the Federation for Identity and Cross Credentialing System (Consortium), better known as FiXs. We were also elected as a board member of this organization. This allows us to share identity validation data between members, which includes the Defense Department.

We also joined the National Center for Manufacturing Sciences, also known as NCMS. As part of NCMS we develop, deploy and validate technology for the Department of Defense's maintenance activities, through the commercial technologies for maintenance activities. We participate in collaboration between DoD and private industries to allow focused R&D efforts that leverage the resources of all partners.

Our other business, the Wireless Business Unit, also had several wins this quarter. We were recently awarded a \$1 million contract for our continued work on our wireless buoy project. This

recent addition of funding raises the value of this particular contract with the United States Navy to over \$10 million.

Our software program, AIRchitect, was the basis of a recent successful proposal with the U.S. Air Force through a Small Business Innovation Research award, or SBIR. We competitively won this contract that will allow us to continue growing AIRchitect, and providing modeling tools to evaluate the effects of RF (radio frequency) signals on individuals in an outdoor environment.

Our team is preparing to participate in the U.S. Navy's major exercise Trident Warrior in June '08. We were selected from among numerous candidates to demonstrate our floating area network (FAN) capability in the Pacific Ocean.

With regards to sales, our sales teams – that is deployed around the nation. We have held two in-person sales sessions in Washington, D.C. We have also attended the GovSec Conference and launched our new IM2700 product which is of major interest to ports. We have implemented the Mobilisa help-desk support of all of our combined company's products. We offer our customers a commitment to customer service seven days a week, 365 days a year, 24 hours a day.

We are implementing better inventory, better customer relationship management, and also introducing total product solutions. We want Intelli-Check-Mobilisa to be a one-stop shop, and have made great strides in that direction.

This concludes my formal remarks. I will now turn it back to Nelson.

Nelson Ludlow: OK. Thank you, Steve. As you can see, we had a good first quarter. Revenue and booked orders were up. Cash burn rate improved. The bottom line improved. All of the financial

results are going in the right direction. And that's because we have the company going in the right direction.

We are a combined company now. We have combined the operations, combined the processes. We have made the necessary changes in sales and management. We announced a new COO. We brought in several new contracts. We launched a very important new product, the TWIC card reader. We have added a strong general counsel, who is strong in intellectual property, to build and protect our IP portfolio.

You will see an increased emphasis in sales, marketing and further product development, and to improve our communications to our shareholders and potential investors. You will see new activity in intellectual property.

This is a much healthier company than in the past. We have started moving things in the right direction. We still have some work ahead of us, but we're up for the task. In fact, we're excited about this journey.

So I thank you for allowing us to report our first quarter results. We look forward to report to our shareholders our progress all along the way.

And at this time, we would be glad to answer any questions from our shareholders.

Operator: Thank you. The question and answer session will be conducted electronically. If you do have a question, please press the star key followed by the digit one on your touch-tone telephone. Once again, it is star one if you have a question. And if you're on a speakerphone, please make sure that your mute button is turned off so that your signal will reach our equipment. And we'll pause for just a moment.

And we'll take our first question from Bart Blout, Sawtooth Capital.

Bart Blout: Yes. I wanted to say that this is a great conference call and you've just set the standard for the history of IDN that I know of for conference calls.

The other thing is, is that the over the remainder of the year, is there anything you can tell us that would emphasize which quarter is likely to bring the most results in terms of either sales and – or income? And then the other thing is, the commercial product solutions, you didn't discuss that too much. And the other thing I wanted to ask was I don't understand how you can get by with so little cash. But I guess you are counting on sales or something. But anyway, I will just be quiet now.

Hello?

Nelson Ludlow: Bart I want to thank you for your comments about the conference call. And you asked about traditionally which quarter has best income or revenue.

If you look at both Intelli-Check and Mobilisa, it's very much seasonal, and our first quarter is our toughest quarter and our fourth quarter is typically our best quarter. And we can't predict how that will be for this year, but let me give one data point which may explain that.

The government's fiscal year ends 30 September, so we get a lot of our orders in August and September. And by the time you buy the equipment, install it and invoice them, that will typically show up in the fourth quarter. And several of our commercial companies have funding for fourth

quarter as well. So that's what it's been historically. And we are aware of it and we are tracking it. But I can't predict that is how it will be for this year.

Let me comment about the cash. Yes, we are tracking cash. Pete Mundy and I track it very tightly. I think you've seen that there was a quarter last year where the cash burn was roughly near a million. We've dropped to 86K. So we are really cutting that back significantly.

In addition, Mobilisa contributed, I don't have the number in front of me, roughly 336K in cash, and about \$1.3 million in accounts receivable with a very small accounts payable, and there are also some people starting to exercise their stock options. You know, we are tracking it. We are aware of it. And if we need to, we will go get some cash, but right now we are tracking it very tightly.

And Steve, do you want to comment about the commercial products?

Steve Williams: Absolutely. The commercial products, as I mentioned, we focus in two areas. First let me do age verification, which is traditionally where Intelli-Check has focused. The difference that we are focused on, we are getting out of the market of \$800 deals. We are looking for larger client deals, and that, for instance, Sunoco as I mentioned, or Houston's restaurants where they do age verification, and there are several hundred unit deals.

With regard to financial services, we are integrating with the likes of Barclays and Chase where we actually build applications, and we do credit card applications using our patented process to collect data from driver's license. And you may know even better, Toys R Us or Target, in that through the point of sale system we actually scan the driver's license to create an instant application which I recently demonstrated in preparation for another pilot we're working.

So hopefully that answers your question in the commercial space, where we're focused.

Bart Blout: Thank you.

Operator: And we'll go next to Sanjay Sharma.

Sanjay Sharma: Yes, good evening, good afternoon, gentlemen. It's very nice talking to you today. Very impressive quarter. I have three very, very brief questions. Number one, can you talk about cash flow right now? What kind of cash flow you expect and what kind of cash flow you have, as well as the balance on-hand?

Secondly, can you expound upon what you're doing with the TWIC's program, how potentially large is that program, and how far down the road we might see something develop on that?

Nelson Ludlow: Pete, how about I'll have you talk cash flow, and I'll just say something about the TWIC's program.

The TWIC program has got potential. It's a serious program of the government. There are 167 seaports. A typical military base install is around \$250K. We estimate that a port could be two to four times, or larger, than a military size. So it could be \$1 million per port. They have a lot of entry points. We visited Long Beach Port just last week and they have \$4 million budgeted for different types of access control types of systems.

So there is funding out there. The program is real. And we are going to aggressively go after all the 167 ports.

Sanjay Sharma: So you are potentially talking about someplace in the area of \$160 million that is out there that you might get, is that correct?

Nelson Ludlow: That would be the available market, and you know obviously how much we get is different. And just like the military, I think there are over 300 military bases and we are at 55 of them. Last year 45 of them bought; they didn't all buy in one year. But that is the size of the market. That's why it's got my attention. I think it's definitely something somebody should be going after. And in our ID space, it makes logical sense for us to do it, and that is why we had our development team build that product, solely because of that.

Sanjay Sharma: One last question then while Mr. Mundy comes on. Can you tell us what is the status of our ongoing litigation lawsuit with IDN and that other company that's been dragging on for years?

Nelson Ludlow: Well, I don't want to comment on the specifics of what we're doing, but let me just say I hired an intellectual property attorney for a reason. And I don't like things sitting out there forever, and so we are looking at it, and it's definitely on my radar and the board's radar of things to look at.

Sanjay Sharma: You not misconstrue – so no one misconstrues, that doesn't mean our case is any less than it used to be?

Nelson Ludlow: No, no.

Sanjay Sharma: You're still of the opinion that our patents are strong?

Nelson Ludlow: No, in no way do I want to imply that that means that our case is weaker. No.

Intellectual property is important to me. And let me tell you, it was the number one reason when I

was CEO of Mobilisa why I wanted to merge with Intelli-Check. They have an outstanding patent portfolio. I think it is the best patent portfolio I've seen in the ID space.

And like I said, that was the sole, or not sole, but the main reason that we did the merger. So if I gave the impression that we are in a weaker position, that's not at all the case. We're – Jeff, do you want to ...

Jeff Levy: The ball is still in the court's court. We are waiting for the court to make a ruling on several things that are outstanding right now.

Sanjay Sharma: Thank you very much.

Peter Mundy: OK. This is Pete Mundy, relating or answering your question about cash flows. As Nelson had mentioned, we've cut in excess of \$800,000 in salaries alone since May of last year, and you know, then you add on top of that the benefits associated with that. Last year Intelli-Check on its own burned about \$2.2 million of cash, and we have gone in and reduced that burn rate quite substantially, as you've seen.

Now the market is seasonal, so as we do some, you know, there were some high billings in the fourth quarter that came in through collections in the first quarter, and we benefited from that. But Mobilisa had to pay quite a substantial tax burden on that.

The goal and also the projections show that the company should be cash flow neutral for this year, if we can achieve those goals, and we're working towards those. In terms of increasing the business, we also are doing quite a substantial amount of business in the future with the military, with the government, and in some of the cases in the government, they pay within – between 15

and 30 days on their outstanding receivables as opposed to closer to 60 to 90 in the commercial arena.

So we anticipate that the quicker collections on the increased percentage of military business, along with the company's cost cutting and cash management processes, should be able to keep us maintaining this cash flow, even though the amount was \$2.3 million as of the end of the quarter.

Sanjay Sharma: OK. Just one last question. I believe you said something about exercising of warrants or rights. There are some warrants that were issued many, many years ago. Are those still going to be available to shareholders, and are there any talks of extending the maturities of such assets?

Peter Mundy: I believe that that's a board decision, but I don't know whether there's been any discussion regarding those matters.

But currently there's in excess of three million shares outstanding, in terms of not shares but options outstanding. And a very significant portion of those options are in the money, particularly as they related to options granted to the Mobilisa employees. We believe that the exercising of those could bring into the company approximately \$1.2 million. And there are some currently options that are outstanding and close to being in the money with the Intelli-Check shareholders and former Intelli-Check shareholders, which could bring in another \$1 million.

So we believe that as long as the stock price stays where it is, and we hope to increase that, there's an additional source of approximately \$2 million that might be available to us if those option holders exercise their options this year.

Sanjay Sharma: Thank you.

Operator: And just a reminder, it is star one if you do have a question. And we'll go to Marvin Lebowitz.

Marvin Lebowitz: Yes, just a couple of questions. You had mentioned earlier in the call about the various branches of the military about to be going back online. Am I correct?

Nelson Ludlow: Well, they're online right now. Those were new purchases by the Navy and the Air Force...

Marvin Lebowitz: Well, I think when we had the merger meeting, you had mentioned that you were in the midst of trying to get the various branches of the service on a uniform, like carte blanche acceptance level?

Nelson Ludlow: Yes. What they're doing is they're going through a certification process, and we had previously been certified at a base level, base by base.

Marvin Lebowitz: Right.

Nelson Ludlow: And what they did is at Fort Dix they did the evaluation to make it an Army-wide certification. And we have received what they call an interim authority to operate, for three of the services, and the fourth one we received a full authority to operate. And so that is good news. We're in the process ...

Marvin Lebowitz: Which service gave you the full authority?

Nelson Ludlow: Correct.

Marvin Lebowitz: Which service gave you the full authority?

Nelson Ludlow: Oh, Marine Corps.

Marvin Lebowitz: And how far along are you with the Air Force?

Steve Williams: The Air Force has until, I believe, off the top of my head, the end of June. But most services are doing their own evaluation.

Marvin Lebowitz: All right.

Nelson Ludlow: But let me just say, the process is going well. There is not a problem. It's like an audit, and they will not give you an interim authority to operate if there's any major problems. There were none. And they allowed us to get an interim authority to operate.

There are some minor things that you know add this patch to software to do these things, and we've done that. And we're well on track for the Army to come and do their re-inspection to give the full authority.

Steve Williams: And this is Steve Williams. On Friday, the Army briefed us on the next steps, and we advised them we are ready for re-inspect even prior to them awarding our scorecard on the initial results. So we are not hesitating and are making all changes as requested.

Marvin Lebowitz: OK. Now, as far as the TWIC is concerned, being that Dr. Ludlow stated that we, to his knowledge, we have the only TWIC reading machine available?

Nelson Ludlow: There is one other company that has built a fixed reader and it doesn't have magnetic stripe reading capability, so it can't read approximately about a third of the functions on the card. We're the only ones to my knowledge that have all the functions and we're the only ones that have a mobile unit, a handheld that you can (mobilely) carry around.

But you know what, even in the future, let's say somebody else does build one, we have one more leg up which is we have the ability to read driver's licenses and to check if you are a bad guy. Those are our patents. That's our current product. That coupled with the TWIC reading capability of 10 ways to read the card and we read it all 10 ways, that's a pretty powerful thing. So even if someone else does jump into the arena, not only do I think we are first, but I think we are best.

Marvin Lebowitz: How long do you think it might be before we start to get government acceptance?

Steve Williams: This is Steve Williams. The Coast Guard through TSA recently had a request for information published in federal business opportunities. We Intelli-Check – Mobilisa responded. We are not aware of other respondents. So I would have to defer that question to the government. But we are ready for that procurement as soon as they are.

Nelson Ludlow: And we're trying to get some ports to start a pilot test right now.

Marvin Lebowitz: How far down the road though do you anticipate possibly getting some business?

Nelson Ludlow: From the TWIC reader program?

Marvin Lebowitz: Right.

Nelson Ludlow: I'm hoping this year, but the government is a funny group and it's hard to tell how they're going to do it. But they've issued a lot of cards out there without a TWIC card reader, so the time is right. We are poised and in good position.

Steve Williams: And the government's position on the request for information was unlike most in that they asked specific questions regarding what price discounts could I receive, how many devices could be delivered, and how quickly? Traditionally it's a technology question of, what capabilities do you have that I could purchase? This was very focused, very specific, and how quickly could you respond. So those are indications that they realize they need a capability soon.

Marvin Lebowitz: Good to know. Thank you very much.

Steve Williams: You're welcome.

Nelson Ludlow: Thank you.

Operator: And just a final reminder, it is star one if you do have a question. And we'll go to Robert Lempert, RIL Capital.

Robert Lempert: Hi. Nice conference call. Can you expand a little bit, since we're talking about government, on what the landscape looks like in the first responder programs? As you know, years ago we had high hopes that the government was going to move in that area. Does anything look different to you, and can our reader be used in that arena?

Nelson Ludlow: Hi, Robert. The first responder program is an interesting program. I think one of the difficulties to that program – and when I was at Mobilisa I tracked it rather closely, and some of our competitors have built some products around that program – I think the issue really comes

down to this, there's not a whole lot of government money behind it and they were hoping that individual groups would fund it. So I don't know if the money is there, to be honest and straightforward on that.

But our product does read the First Responder Access Card, the FRAC card, so our products can read it. And we've rolled it up into one product that does everything. It reads the FRAC, it reads the TWIC, it reads the CAC, all of these different type of card acronyms that are out there, we read them all.

Plus, and this is the big plus, Intelli-Check – Mobilisa does driver's licenses. And at the end of the day, you can pull out all kinds of different cards you want – and we will read all of those. And that is in our vision to read, if somebody invents a new card, we'll go read that too, but we also read the most common card anybody in the U.S. has which is in their wallets, a driver's license. And so that's our leg up, but we will also do those other cards. Right now I haven't seen the FRAC card turn into a big market.

Robert Lempert: From a political point of view, do you think the landscape might change, of course it's a guess on your part, but I mean, as far as next year, you know, November election, as far as government spending?

Nelson Ludlow: Things could change. I think some of these technologies take a while until they are really ready. It might be that the technology needs to be mature, but the situation needs to take that into account.

Let me just give you an example. Listeners take your driver's licenses and turn it over and you look, there is a mag stripe or a bar code. Five years ago, that wasn't the case on all the cards. I mean, essentially 98 percent of all the cards now have that. That makes the solution tractable. If

you want to use a driver's license as a technique, it's doable. That was not the case five years ago.

And so that just means only now really is Intelli-Check's technology really ready to kick into gear and really become a product that people could use ubiquitously everywhere. So that's one of the reasons I'm excited about it, is because now people have that card.

You know what? People don't have FRAC cards. There's a couple of experiments going around. But, you can call up fire and police departments - guys that do your own homework - and say, "Hey, do you guys have a FRAC card?" And I bet you the answer is going to be "no". So, it may just take a while until those programs are funded. But before we could really sell, FRAC card – First Responder Access Card readers, they have to start issuing First Responder Access Cards. And they haven't done that yet.

Robert Lempert: All right. Well, thank you.

Nelson Ludlow: Thank you.

Adam Lowensteiner: Operator?

Operator: And once again, it is star one if you do have a question. And we'll go ahead and take another call from Marvin Lebowitz.

Marvin Lebowitz: Yes. Would you want to be a visionary and sort of possibly allude to when you might think that we might be cash flow positive?

Nelson Ludlow: Well, we decided as a group we're not going to make hard-core projections so we don't get into this problem of over-promising and then under-delivering. I mean, that was a mantra of Mobilisa a long time ago when I founded the company, and Jeff Levy, Chairman of Intelli-Check, I think that was one of the reasons we bonded right away, is we agreed with that.

You can tell by the numbers, we're moving it quickly, and you can see that that cash burn rate is way down. And first quarter is our toughest quarter, and we moved the number significantly already. I can tell you that the whole management team is working on that to make that happen absolutely as fast as possible. And you know really, we only had two weeks of combined numbers that even kicked in for this quarter. So I really look forward to the next conference call being able to show second quarter numbers which will really be the first full quarter of us doing this.

No, we're making steps. As Pete pointed out, we knocked out a significant amount of labor and we got the revenue to go up at the same time. So I'm really pleased with the numbers. I can't give a hard exact moment of when we're going to cross that, but you can see the vector and we are going in that direction.

Marvin Lebowitz: Thank you.

Operator: We will go next to Richard Karp, Paulson Investments.

Richard Karp: Good afternoon, gentlemen. I didn't realize when I first looked at the numbers it came out across the board, that it was only two week combination, so I tip my hat. Good job. I do have a question, did I hear you say before when you were talking about companies, did you say Disney, or did I mishear you?

Steve Williams: Disney is through one of our partners, Chase, and that is our financial services base.

They have been a long-term customer. We have a new contract supporting them.

Richard Karp: And you had also mentioned Barclays and Target, I remember that from last year. When did you get involved with Toys R Us?

Steve Williams: Toys R Us has one of our enterprise licenses, and it's been an ongoing project.

Richard Karp: Well, congratulations on the quarter, gentlemen.

Nelson Ludlow: Thank you.

Operator: We will go next for a follow-up with Sanjay Sharma.

Sanjay Sharma: Yes, gentlemen, you said that you were out talking to new potential investors. Can you tell us a little more, what types of things you are doing to generate more interest? It seems to me that now with the stock literally half of what it was back at this time last year, and your sales are much, much higher, and you are telling me that your cash flow is near break-even, and that it wouldn't be too difficult to say, that if sales go up another 20 to 30 percent, you could be cash flow positive, that more people might be looking at this company now, instead of the total apathy that we have in the stock now. What are you doing to generate interest? Thank you very much.

Nelson Ludlow: That is a great question, and I share your view. I think it is a good time to buy, and I think there is a lot of potential upside. The reason we did the AMEX bell ringing was to generate interest. The reason we have been meeting with several analysts, is to generate interest. Several of us went to the AeA Micro Cap Conference of Investors out in Monterey, California last week, and they were saying, typically they assign six slots for you to give detailed briefings to

investment bankers in different investment groups. We ended up with 18. There was a lot of interest, and really what it boils down to is we have a new management team. We are moving the numbers. We have new products. And it is a product that we can understand. I mean, if you talk to Warren Buffet, he says he invests in companies that make sense, and to me it makes sense to do applications with driver's licenses. The most common card that anybody carries is a driver's license. And we are the guys that have a very strong patent portfolio, and we are the guys that are making applications to use those cards, both in the government and commercial space. Our revenues are growing, and I agree with you. It isn't by accident, if we push a little bit more, we are going to get to that cash flow break-even point, and that is our goal. That is what we are trying to do. So I think it is a good time. We have talked to several investors. Let me just say, if you have looked, since February 14th, (Glen Meade) Capital and Moore Capital have reported that they both purchased approximately 200,000 shares. If you look at the California Personnel Retirement System, they tripled their holdings as recently as April 28th. We are just going to keep getting the word out there, and I hope more people do. That is our plan. We are just going to keep pushing on it, and tell the story, because I think it is a good story to tell.

Sanjay Sharma: One last thing. You didn't speak much today about your wireless over water system. Can you tell us about any new developments going on there?

Nelson Ludlow: A couple of new developments. The two press releases that we won \$1 million of new work with the Navy for our wireless over water, particularly with the buoys, and we won a three-quarter-of-a-million-dollar contract, again new work, under what's called the Small Business Innovative Research grant, SBIR. And SBIRs are about the best contract a company could win, because not only do you get to do the work and the government funds you, you get to keep the intellectual property. And so we are doing that with our AIRchitect system. And I think most noteworthy, is we have had such success with our floating area network (FAN), Steve mentioned that we are doing this thing called Trident Warrior. And for you guys that don't know, that is a no-

kidding live test with three naval ships, destroyers, frigates, different vessels, out in the Pacific Ocean this June, and they are going to live test our floating area network (FAN), as the system for the Navy to be able to move data between ships. And so we were competitively selected, and that is happening in June. So that is exciting. That is a big deal to the Navy, and it is a big deal to us.

Sanjay Sharma: Thank you.

Operator: We will hold for just one more minute. We will go next to Bart Blout, Sawtooth Capital.

Bart Blout: Yes, Nelson, because you look like you have really taken over the reins, and are doing such a great job. I would and I can respect the fact that you want to talk less and do more work. But, there apparently is somebody that has an agenda that either he/she is not a smart seller, or there is a reason for it, but he/she just takes away the fun of buying a stock when we are in the same place. So the more that we know and have a touch with, we will take care of that person, whatever his/her agenda is. And I assure other people will too, that are funds that are coming in. So I just wanted to mention that.

Nelson Ludlow: Bart, I appreciate that, and I know what you are talking about. And if there is a seller that is trying to keep the price low, then that also creates a good buying opportunity. I agree with you, those funds and those of us that are jazzed about this opportunity, eventually that person will go away.

Bart Blout: Yes, well, the only reason that I mention it is obviously, he or she, is not a smart seller because their agenda is definitely to keep it down. So news and good feeling - we went a while with sort of while you were repositioning to everything, without having anything to believe in, and

believe me, the veterans and the stockholders of this company, I think they can take on anything now, after what we have been through the last so many years. I think all of them would agree.

Nelson Ludlow: Bart, I appreciate you and the other long-term shareholders. I have tried to meet many of you in person, and I will continue to try to do that and have the management team meet with the significant and loyal shareholders. You guys matter to us, and I really appreciate that you have stuck with us. And it has been an interesting and/or tough year, and a lot of things have happened. But I think you can see that all of the things are moving in the right direction, and we are moving in the right ways, and so I just appreciate you guys sticking with us, and I am into this, and I am a believer. So, appreciate you doing that. Thank you.

OK. Well I thank everyone for all your questions and calls. I look forward to the second quarter conference call. Again, thank you for being loyal and valuable shareholders.

Operator: That concludes today's conference. Thank you for your participation.

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