

Operator: Good day, and welcome to the Intellicheck Mobilisa's 2009 Third Quarter Conference Call.

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

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

If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to Mr. James Carbonara of the Investor Relations Group, which is the IR and PR firm for Intellicheck Mobilisa.

Please go ahead.

Mr. James Carbonara: Good day, and welcome to the Intellicheck Mobilisa 2009 third quarter call. Thank you for joining us today, the results for the fiscal ended September 30th, 2009, and to discuss other business developments.

In a moment I will call upon our CEO, Dr. Nelson Ludlow, to lead today's call and introduce the other members of the Intellicheck Mobilisa management team who will be participating on today's conference call.

Before I do that, I will take a few minutes to read the forward-looking statement.

Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended.

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

Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and beliefs about future events.

As with any projection or forecast, they're inherently susceptible to uncertainty and changes in circumstances and the Company's under no obligation to, and expressly disclaims, any obligation to, update or alter its forward-looking statements, whether as a result of such changes, new information, subsequent events, or otherwise.

Additional information concerning forward-looking statements is contained under the heading of "Risk Factors" listed from time to time in the Company's filings with the Securities and Exchange Commission.

Management will use the defined financial term "Adjusted EBITDA" in today's call. Please refer to the Company's press release issued this morning for further definition of, and context for the use of this term.

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

Nelson?

Dr. Nelson Ludlow: Good afternoon, and thanks, James.

On the call with me today is Steve Williams, our Chief Operating Officer, and Pete Mundy, our Chief Financial Officer.

And let me first just say I'm very pleased to see how many people are on this call. I think--I'm looking at the numbers, and it's perhaps a record. We've had more people on this conference call than any of them in the distant past that I reviewed. So, that's very good. Welcome to all of you.

Let me just jump right into the numbers. Our third quarter revenue was above 3.75 million. It was resulting in a 6 percent increase as compared to third quarter of last year, which was our best quarter for last year. And the net income was 100K--a little above 100K in profit. Adjusted E-B-I-T-D-A was above a half a million.

So, in terms of revenue and profit, this was the Company's second best quarter ever, and best being the most recent quarter that we reported just Q2 of this year. So, we're putting two--our two best quarters ever back to back.

So, revenues are seeing consistent growth. And if you group that Q2 and Q3 together, that puts us on a run rate of about 15 million to \$16 million for a year.

So, all three of our product lines, wireless security, government identity and commercial identity, are healthy and performed very well in Q3.

We closed a major acquisition with our biggest competitor. That's a company called Positive Access, headquartered in Minnesota. The transaction, as we stated, is accretive and will allow us to capitalize on what we consider to be lost business opportunities while they were operating.

We installed our Defense ID military security system at five new military bases just this quarter. We also received a US Marine Corps-wide authority to operate at Marine Corps bases.

The wireless team recently had a significant win, and that's with our wireless security buoy project, securing about a four and a half million dollar Navy contract award on what's called the Littoral Sensor Grid Project, building the Homeland Security protection zone with advance sensors like dirty bomb sensors.

As I mentioned in our first and second quarter conference calls, my strategy for the Company in 2009 is to increase our top line revenue and to take steps necessary to make that happen. Now, we could squeeze out profits that could reduce staff, or we could cut product development or pilot projects, but that runs the risk of revenue shrinking and undermining our long-term prospects.

So, instead, the results that we delivered in this second-best quarter in revenue, while continuing to stay slightly profitable. That's the plan that I've had, is to grow top line and try to stay slightly profitable on the bottom line. That's what we said we're going to do, and that's the plan that we're doing.

Recently we were named by Deloitte as number 170 on the fast 500 list of fast and growing public or private companies for all of North America. These rankings were based on a percentage of fiscal year revenue growth during a five-year period accounting between 2004 and '8, and during which Intellicheck Mobilisa grew 790 percent.

Just as a note, L-1, which is in our space, they placed 186. So, we grew faster than they did, even with all their inorganic growth. What I like about that--those are--us and L-1, that's two companies in this sector that both had healthy growth.

We also won an award for best harbor technology for our Littoral Sensor Grid wireless security buoy program. And the award recognizes this technology as the most promising for increasing harbor security around the country.

If you haven't seen the press release on that, I recommend you go to our website and read about it. The guy that awarded that award actually used to be the admiral in charge of the Office of Naval Research, and then later an Undersecretary for Science and

Technology for Homeland Security. We're very happy to receive that award acknowledging the good work that group's doing.

Just a couple weeks ago we were interviewed by TheStreet.com highlighting that very technology. And getting the word out about our Company is important. We've got a great technology company. It's backed by patents, it's now performing, and we want potential new investors to know about it.

One way we do that is our IR/PR firm is getting these types of placements in the media. We're talking with major publications, developing those relationships every time we keep repeating and delivering good news. We're making progress in this area, but we've got much more to do. And my goal is to let the public know about our Company.

Two weeks ago today, we held our annual shareholders meeting in New York City and it was a really good opportunity to meet with our investors.

To the management team, to the Board of Directors, the shareholder meeting's a very important event. Most of our time is spent working in operations, towards increasing the revenue, growing the Company.

But, the day of our annual shareholder meeting, we got to meet with those of you who are our investors, answer your questions directly, and to display to you in person why we are so excited about Intellicheck Mobilisa. I'd like to thank all of you that attended that event.

I'll let Pete Mundy, our CFO, provide some more color on the specifics on our quarterly financials.

Pete?

Mr. Pete Mundy: Thank you, Nelson.

Good day to everyone. And I'd like to discuss some of the information that was contained in our press release for the quarter ending September 30th, 2009, which we put out this morning. We anticipate that the complete quarterly report on 10Q will be filed with the SEC this afternoon.

Revenues for our third quarter ending September 30th, 2009 increased 6 percent, to \$3,755,000, compared to \$3,554,000 for the previous year.

Total booked orders were approximately \$3.9 million in the third quarter of 2009 compared to approximately \$2.7 million in the third quarter of 2008.

As of September 30th, our backlog, which represents non-cancelable sales orders for products not yet shipped and services to be performed, was approximately \$7.2 million at September 30th, 2009 compared to 9.4 million at September 30th, 2008.

Further, we have developed our recurring revenue stream to roughly 20 percent again.

Our gross profit percentage--our gross profit as a percentage of revenues was 63.8 percent for the three months ending September 30th, 2009 compared to 63.4 percent for the three months ending September 30th, 2008.

We still expect that the gross profit percentage will decrease slightly as we increase the amount of bundled hardware and software revenues in our product mix, going forward.

Operating expenses, which consist of selling, general, administrative and research and development expenses, increased 9.7 percent to \$2,287,000 for the three month ending September 30th, 2009, from \$2,085,000 for the three months ending September 30th, 2008.

As the Company experiences sales growth, we expect that we will incur some additional operating expenses to support the revenue growth, including the hiring of additional salespeople, increasing marketing costs, such as participation in more trade shows and the generation of marketing materials.

Research and development expenses should also increase as the level of research and development projects increase and we continue to integrate additional products and technologies with our patented ID-Check technology.

Interest income for the period was negligible and we have not recorded a tax provision due to the expected utilization of our net operating loss carry-forwards.

Adjusted EBITDA for the quarter ending September 30th, 2009 was \$518,000 compared to \$689,000 in the quarter ending September 30th, 2008.

Our net income was \$110,000, or zero cents earnings per diluted share, for the three months ending September 30th, 2009, as compared to a profit of \$167,000, or one cent per diluted share, for the three months ending September 30th, 2008.

For the nine months ended September 30th, 2009, revenues increased 32 percent to \$9,838,000 from \$7,442,000 for the first nine months of 2008. Adjusted EBITDA increased to \$1,174,000 compared to \$745,000. And our net income was \$48,000, or zero cents per share, compared to a net loss of 472,000, or \$0.02 per share in the previous period.

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

As of September 30th, the Company had cash and short-term investments of \$3,346,000; working capital, defined as current assets minus current liabilities, of \$2,451,000; and total assets of \$26,760,000; and stockholders equity of \$22,185,000.

The Company has not utilized any bank financing during the first nine months of 2009.

The primary sources of cash during the nine months of 2009 have been cash provided by our net income. The primary uses of cash have been for working capital and for acquisitions. The Company generated \$627,000 in net cash from operating activities, principally as a result of the cumulative net income for the year, offset by changes in working capital.

Net capital expenditures were \$139,000, principally related to the purchase of additional computer equipment.

Stock options and warrant exercises in the first nine months of 2009 generated cash of \$54,000.

On August 31st, 2009, the Company acquired 100 percent of the common stock of Positive Access Corporation, the leading competitor to Intellicheck Mobilisa, for developing driver's licenses reading technology software for \$2,080,000.

The terms include cash payments of \$1,225,000, which is payable \$625,000 at August 31st, 2009; \$400,000 at August 31st, 2010; and \$200,000 at August 31st, 2011.

The notes payable have been recorded on the financial statements, net of differed debt discount of \$40,000.

In addition, the Company issues 608,520 shares. That's 608,520 shares of common stock valued at \$882,000 based upon the closing price on August 31st, 2009, plus direct issue costs of \$13,000.

The transaction was accounted for using the purchase method of accounting. The initial cash payments were funded out of the operating cash of the Company.

Even after you include the cash used to purchase Positive Access, during the nine months ended September 30th, 2009, the Company used net cash and short-term investments of approximately \$55,000.

We currently anticipate that our available cash and short-term investments, as well as the cash from operations, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

I'll now turn it back over to Nelson.

Dr. Nelson Ludlow: Thanks, Pete.

Let me just recap just a couple things that Pete just said that I thought were very interesting.

Gross profit of 63.8 percent, that's a pretty high number for a Company. I'm very happy with that. I recommend that the shareholders on the call look at other companies like L-1 and see what theirs is, which is closer to 29 to 33 percent. So, a very high gross margin.

Reoccurring revenue of approximately 20 percent, that's important. I think you've seen that we did increase our operating expenses, the SG&A up about 9.7 percent.

So, big picture, we're increasing our costs a little bit, about 10 percent, but top line's coming up. We booked nearing \$4 million of booked orders, 3.9 million, just this quarter.

We bought our competitor, and yet our cash position is up to about 3.3 million.

So, we increased our cash, including the--to quote Pete, "The initial cash payments were funded out of the operating cash of the Company."

So, I'm very happy with that. I'm happy with back-to-back quarters of profit. And I'm happy that year-to-date is profitable, as well.

Let's talk a little bit about business development. And I--I'd like to talk about the TWIC program, Transportation Worker Identity Credential.

Nearly 1.3 million transportation workers already have this mandated ID card. With others that have currently already applied for it and are just in the waiting process to get them, about another 150, 200,000 or so. Yet, none of these ports have made major purchases to buy readers to read these cards, or at least not yet.

Intellicheck Mobilisa, we saw the value of this TWIC program early on. We won three pilot projects with the TWIC reader at major seaports. And we're getting a lot of interest from other ports about these TWIC readers. I had hoped that the ports would move faster in this. They haven't, primarily, because these smartcards aren't smart without a reader.

So, we will be well positioned when and if the TWIC readers are purchased. I mean, as one shareholder mentioned to me--I mean, making money is one thing, but what we're also doing is we're saving lives. And I think seaports is a very important area, and at some point it is only logical that the government will see the value of having a reader to read these smartcards to actually make them smart, given that 1.3 million workers already have these cards.

The seaport program, once it takes traction, could grow into other areas, to airport workers, and then perhaps even hazardous material truck drivers.

So, I reiterate that only the Intellicheck TWIC reader enables both reading into this TWIC card and drivers' licenses. So, they haven't moved out yet, but I still--I remain

cautiously optimistic about this product. We're going to keep pushing on it and, when and if the TWIC program moves out, we're going to be there.

We also saw a slight upsurge in the recent purchasing of military Defense ID equipment. With the unfortunate events at Fort Hood, the military is relooking at all of their personnel security systems.

Now, let me--to let you know, Ford Hood does not have our system. Now, while we're not--while we could not have stopped that event unless the shooter was on a watchlist or a base debarment list, or was kicked out of the military or something. If they're on any one of those lists, what's exciting about our system is, after someone makes the decision, after the commander makes the decision to bar someone from the base, our system is the system to help those security forces at the gate and the entry locations to do exactly that, to prevent that person from getting back on the base.

So, the first step there is to identify the people. But, once they do, we're the system.

You may remember that, after that thwarted terrorist attack at Fort Dix, New Jersey about two years--a little over two years ago, that that base then chose Defense ID after that terrorist event.

So, to date, we can say--to echo what that shareholder said, we are saving lives. Our Defense ID system has literally stopped thousands of unwanted entries to American military bases, from some smaller things to some quite big deals where they've stopped potentially dangerous individuals and our system did that. So, that is a credit.

Now, let me say something else about Q3, which I find interesting. We had no big commercial wins. Last year in Q3 we won Payless Shoes, and that was a big one.

So, comparing to last year, to beat that quarter--to grow the revenue over that, we actually combined several smaller wins rather than by hitting one big one. I think that that shows that we're growing the revenue consistently. I think that's a good sign.

As you can see, we remain focused on sales and business development.

So, how about now--I'd like to turn it over to Steve Williams and--to describe our business development.

Steve?

Mr. Steve Williams: Thank you, Nelson.

We continue to build all three business units, wireless, government identity, and commercial identity.

In the wireless security we received an additional 4.5 million from the US Navy for our Littoral Sensor Grid Wireless Security Buoy technology. The wireless security buoys provide a high capacity network grid to provide real-time monitoring for marine environments or a communication relay. The buoys can include sensors for both environmental and security purposes, including water quality, oil spill detection, and radiation detection.

We began pilot testing this multipurpose security buoy platform in 2008. The project, in collaboration with the US Department of Defense and the University of Washington Applied Physics Labs, aims to improve water site security utilizing the Company's FAN, or Floating Area Network, technology.

The funding we received signals our government's confidence in the capability and the need for this technology. The product was highlighted by the Best Harbor Security Award, as Nelson mentioned.

There are numerous applications for this technology, as there are many ports around the country, or for that matter the world, that our security buoys can help make safe.

Our government identity systems continue to expand. Third quarter saw a major contract award, Fort Benning in Georgia. The size of the contract was larger than other Defense ID sales due to the size of the base, which has numerous entry control points.

In addition, we added four more installations, bringing our total number of locations deployed to 80 nationwide.

We received yet another authority to operate, or ATO, this time from the United States Marine Corps. We now have an ATO from the Army, Navy, and Marines, and an interim authority to operate from the Air Force.

Several of our past customers have continued to purchase expansion equipment and subscriptions. We're seeing existing bases buying more product, adding to the checkpoints on their base.

Of particular interest is the combat readiness section of a base, for which we are having installation requests of equipment to ensure that the right people are being processed.

We have also partnered with several integrators to pursue capturing large groupings of installations rather than pursuit of single installations. If this happens, this is a shift from selling to one base at a time.

Our commercial identity systems received an inorganic boost with the acquisition of Positive Access. We were able to add tier one customers Wal-Mart and Verizon to our client list as a result.

While Positive Access was generating about \$1 million in revenue, they were undercutting our sales model, and there exists a lost revenue opportunity that we expect to recoup as existing Positive Access contracts expire.

With this accretive deal, the clients we pick up offer increased revenue-generating opportunities, and they will be able to receive the same high level of support all of our clients receive, including our 24/7 customer support desk. We will be providing one-stop-shopping to these new customers.

We are rolling out our AT&T contract with our corporate branding. This creates sales opportunities and allows investors to have greater visibility with our products.

This is approximately a four to \$5 million indefinite delivery, indefinite quantity, or IDIQ contract. Our relationship with this company is solid and we anticipate further collaboration to develop additional solutions.

I'd like to refresh you on the opportunities of our new products and update you on the traction we are making.

Scan-In [sp] is our ID-Check technology designed specifically for the hospitality industry. Building on our ID-Check technology, we have developed a product to help pharmacies track pharmaceutical sales to comply with state and federal laws called AssureScan. The product scans the ID and tracks the amount of controlled drugs purchased to be within legal limits. If it is above limits, it notifies the pharmacist.

I'm very pleased with the pipeline we are developing. And I won't get into specific numbers, but we have many pilots being conducted that were not in place a few quarters ago.

Our financial institutions create opportunities in a couple of areas with a variety of form factors, from loyalty programs to credit card applications. We continue to work with Barclays, GE Money, and JPMorgan Chase to support their partners in a discussion with several other financial institutions to offer similar products and support.

As with the government identity systems, our current customers continue to purchase additional or recurring consumables in the commercial identity product lines.

Thank you. And I'll turn it back over to Nelson.

Dr. Nelson Ludlow: Thanks, Steve.

Let me just recap something Steve said. "I'm very pleased with the pipeline we are developing, and we have many pilots being conducted that were not in place a few quarters ago." That is really a change in the Company compared to a year ago.

Let me talk about markets here a little bit. I would like to recap the market potential and where we're going. And particularly for you--some of you that were not on the last quarter's conference call, I talked about market potential, and I got a lot of positive feedback from shareholders about it, so I'd like to recap some of that.

This will probably underscore why people that are familiar with this company, and why I am particularly excited about Intellicheck Mobilisa. The Company's main products are Defense ID for the military and the government markets and ID-Check for our retailers and our banking.

Now, we recently developed or are looking at new products for seaports, hospitality, pharmacy, hotels, some of these that we've talked about. But, let's look at these market sizes and talk about typical or estimated contract values.

The military market is about 270 US military bases. We're currently at about 70. An average base purchases equipment about 250K, with reoccurring revenue--we're trying to do that with all our products, to have reoccurring revenue--while some of the larger bases like Fort Benning purchased about 800K of products and services.

Our ID-Check software is being used at seven tier one retailers. We offer solutions that are priced per contact point, or an enterprise license to integrate our software into the Company's point of sale system. That's the right location to put our technology.

We have more than doubled our commercial identity sales staff. Major retailers use our software for loyalty cards, for credit card applications, for consumer fraud prevention. And we believe that we're the market leader in this space, as well.

We provide a complete 50-state solution, comprehensive service, support, help desk number. We own the key patents around this technology.

Now, there's 228 tier one retailers, which they do over a billion dollars a year in revenue, and approximately 324 tier two retailers.

Now, the contract values, they vary, most in the commercial space, from mid-six figure to seven figure costs, depending upon the numbers, the point of sale, how they use it, whether it's only software or also hardware and installation. And we are also receiving a reoccurring revenue stream for the updates to our driver's license database.

Now, Steve mentioned about the AT&T contract. At the shareholders meeting, someone mentioned to me, wow, you guys won a wireless contract for \$4.5 million. It's probably the largest contract that you've won to date.

Maybe. It's possible that that AT&T contract, although it's indefinite delivery, indefinite quantity, both they and we estimate that contract to be around that number, four to \$5 million. So, that's a good win. And I think maybe people didn't recognize the full value of that when the press release came out. That's a big deal.

We continue to develop and market our mobile TWIC reader. There's about 180 US seaports that could use a TWIC reader.

There is competition in that space. I presented our product in an evaluation at a major seaport. I got to meet all the other competitors. And our strengths are many. We were among the very first approved by a thing called ICE, the Initial Capabilities Experiment, by Homeland Security.

Not only does our product read and evaluate the cardholder's TWIC card, the smartcard, the fingerprints, the PIN, the photo, all that stuff in it, it also allows for mobile registration of the user into a major security system.

So, other registration systems with not-so-smart cards, our system will integrate those two together. So, we're partnered with Lenel, AMAG are two of the ones that have some of these badging systems and we've tied our TWIC reader into that.

Further, our product reads that smart TWIC card, but it also reads drivers' licenses. And if I was going to make a choice, I would pick the one that reads drivers' licenses plus TWIC cards.

So, that differentiates us from our product from all the other guys.

We're being tested at three major seaports. And we have a port that is being funded by Homeland Security doing major tests. And they're in final discussions with us to actually purchase some equipment to begin another pilot.

So, the price points and margins are approximately the same as our Defense ID equipment. However, the seaports are--have more traffic lanes than a military base. Therefore, we expect a typical seaport to be about two, three time as large of a sale as a typical military base.

Again, there's a reoccurring revenue stream for the subscriptions for the driver's license updates and the service and support.

So, let's talk about our product that goes into hotels, ScanIn. We recently released this product in late June. And so, really, we've had about one-quarter of this product being out. And I'm pleased that we're already in a beta test in a major hotel chain.

According the Bureau of Labor Statistics, there's 62,000 hotels in the United States. And the ScanIn equipment and software costs around \$1,000 per point, and there's a reoccurring revenue stream of that, as well, for updates.

So, we've got several other products and markets that we're looking at, and you will see us add new products and development, and add sales staff to those as we continue to grow the Company.

But, let me recap. We posted record revenue for Q3, the second best quarter in the history of the Company. We've added continued sales to the US military this quarter. Our development products are winning awards. They received additional funding from the US government. And I believe this speaks to the broad demand for our products.

We're a security company. We're a security company. That's what we do. And events happen and, you know, while we would all like to stop them, it's responsible to purchase security products like ours, and that's what we're going to provide. And as that one shareholder said, "You guys aren't just a business. You're saving lives."

We've developed new products for other areas, hospitality, pharmacy, seaports. And we acquired our largest competitor in our space just this quarter. And we were recognized as the Fastest Growing Company by Deloitte.

I showed at the annual shareholders meeting several slides that highlighted media placements since we've begun working with our IR/PR firm. We hired them in late March.

That presentation's available on our website. I recommend you take a look at that. It actually is who we've been speaking to.

And take a look at one slide in particular, the increased volume of activity of trades of our stock. We have a clear increase in volume since partnering with our IR/PR firm. And one fake analyst told me volume precedes price. I believe that, and I believe the increase in volume is necessary and important to attract institutional investors.

So, I'm very happy that we are increasing volume.

As a final note, I'd like to thank everyone who attended the annual shareholders meeting. I'd like to thank you for listening to this conference call. We have more participants on this call--almost double than we've ever had before. We're getting activity. Things are happening. We have more work to do, and we're going to do that.

And as at the shareholders meeting, I am very willing to answer any questions that you have.

So, James, I'll turn it back over to you.

Mr. James Carbonara: Thank you, Nelson.

We would now like to address any questions you may have.

Out of respect for other listeners, please state your name, organization, and try to clearly and succinctly state your comment or question.

Operator: Thank you.

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 the queue.

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

Once again, to ask a question, press star-one.

Our first question comes from Arnie Caponigro.

Please state your question.

Mr. Arnie Caponigro: Yes. Good afternoon, gentlemen. This is Arnie Caponigro out in New Jersey.

I've got a couple of questions for you. But, going back to the Wireless Over Water program, can you explain the amount of buoys that would be needed in, let's say, a one-mile square area, and how it would respond to shipping lanes, and what you perceive as the initial cost of one particular buoy?

As I envision it--maybe I'm thinking of more of a screen that you'd put on a vertical line, but I guess you'd have to do it in a geometric pattern if you're going to use it for ports.

Can you explain that?

And then, I'd like to follow-up the question.

Dr. Nelson Ludlow: Yeah, I--hi, Arnie, Nelson. Good question.

I don't want to go in the exact distance for competitive reasons, and also Homeland Security, Coast Guard, Department of Energy, all were with us when we did a recent test with dirty bomb sensors. So, I don't want to give out the specific numbers.

But, let me just--but, let me do say this. We did a test recently. It was outstanding. It was better, I think, than all of us had hoped. And the goal of this is that, just like you walk through a metal detector at an airport, we're trying to build a screen with wireless security buoys, these high-tech buoys that have dirty bomb sensor and other sensors on them, and put them in shipping lanes.

And if you look at any seaport, harbor, they just geographically tend to narrow down and go into a certain area, hence why they're a harbor. And also, cargo ships just can't drive anywhere. There's almost like a highway system. There's certain shipping lanes that they have to be in. And so, just like walking through a metal detector in an airport, we're trying to build a curtain, a protection zone that ships will drive through, and our sensors on these will actually evaluate it.

Initial tests went very well. And I think you guys all saw, we received additional funding from the Navy to continue that work and go the next step and make this a bigger system.

Now, as far as cost, you can predict that the buoys are going to cost over 100K. They're smart buoys, depending how many sensors and what you do, it's going to adjust the cost. But, they're not super cheap as--but, let me just say this in the context of security, it is a very affordable system, and necessary.

Mr. Arnie Caponigro: Well, getting back to that, then saying--I mean, if you have 180 seaports and you're looking at \$100,000 a unit, I mean, you're going to need more than one buoy.

So, I mean, is there a standard amount? I mean, could you say that you need--like New York Harbor, would you need, you know, 10, 20, a hundred?

Ms. Nelson Ludlow: Yeah, it would be in the--I mean, again, geographically everyone is different. And--.

Mr. Arnie Caponigro: --Well, just look at New York City, and New York Harbor and Long Island and everything. I mean, what a cell--how far they space out regular cell towers now. Do you have any idea?

Dr. Nelson Ludlow: Yeah. Well, cell tower's very geographically, based on hill coverage and things like that, but out in flat areas they can be, you know, a good 10 miles apart.

Mr. Arnie Caponigro: So--.

Dr. Nelson Ludlow: --What you're going to see is probably--to give--I can't give you specific numbers, but it'll be in the--but, for investors, here's what I would look at. It's going to be in the terms of probably over 10 in the--and probably in terms of dozens, a few dozens in harbors. And I'm picking a safe number that'll be above 100K. The more sensors that you put on them, the more sophisticated it is. And yeah, there's about that many seaports.

And what's cool about this system, it's also portable. So--and, in fact, that's how it originally was designed, that the Navy could use it while they transition and go to other locations throughout the world.

So, they're portable. There's a lot of different seaports.

The only caution I do want to say is our government ID system, commercial ID systems, they are solid products, market ready, been in the market for a while. We're selling them and are in new products, like for the hotel chains. We're just in beta test. Those are real products out there.

This is a--still in a research and development stage. It's just that it is--the research is going very well. And it's kind of getting beyond the science project level and really working.

So, the success looks good, but it's not quite ready yet to say, I'll buy X number of these for X number of dollars, and here's how it rolls out, and some of the things we're learning with this new funding in building out a life system here in the Pacific Northwest.

Mr. Arnie Caponigro: All right, just a follow-up question and I'll get off the call.

Going into the financial services industry, as you said, you had 270 military bases and etc., etc. Concerning the financial services industry, what's the potential there, you know, for both checking accounts, savings accounts, credit card applications, things of that nature?

Do you see a business opportunity there in addition to the Barclays bank and things of that nature?

Dr. Nelson Ludlow: As you know, we do credit card applications. We've partnered with Barclays, we're partnered with Chase, and we're partnered with GE Money.

If you--L.L.Bean's one of our customer. If you go to one of those stores, you get to apply for a credit card safely. You don't have to write your name and your social security number on a piece of paper. It really is the old fashioned way of doing things.

They found that in--customer are 12 times more likely to complete an application and follow through using one of our systems electronically, scanning a driver's license, then filling out a form. Anything that retailers can do to bring customers in, it's a big deal.

One of our retailers, when they installed our system, had more new credit card applications in two weeks than they had the previous year.

So, very positive of how that thing's going.

In banks in general, we do have a system that will scan the card. We're partnered with a Company called FiServ.

On our website, there's a very good case study that FiServ themselves wrote. They're one of--they're out of Omaha, Nebraska. They are in the top two leading financial services companies in the country. And they use our system for new accounts.

So, the common way of getting a new account is someone makes a photocopy of your driver's license and sticks it in a folder, and then hand types that information in. Not a very good way to do it.

So, Steve, you can tell us exactly how many banks we're in.

Mr. Steve Williams: Yeah. We're--we have just eclipsed 300 on one of our products, and we're moving to another space, both in enrollment and teller services, at several other banks.

Dr. Nelson Ludlow: So, Arnie, we're starting out in that area. We have to keep pushing, but we--.

Mr. Arnie Caponigro: --When you say 300 banks, are you talking about 300 different institutions, or 300 different branches? What would the potential market size of the whole financial services industry be if you're looking at all outstanding companies in that--you know, like you said, you had 270 military bases. I can't even imagine how many thousands of different independent banks that would have an opportunity to look at this application.

Mr. Steve Williams: Yeah, that--300 is branches, not banks. So, that product's been out of the market about a year, and we partner with an organization called FiServ, which is one of the industry leaders to be a total solution for them. And we're continuing to develop new products and image capture devices with them.

Mr. Arnie Caponigro: So, you don't really have a number of how many financial institutions you think that this could be potentially something to look at?

Mr. Steve Williams: We clearly feel like it could be used in all financial institutions.

Mr. Arnie Caponigro: So, is there a number for that, Steve? I mean, 5,000, 10,000? How many institutions are there?

Mr. Steve Williams: I don't know that number off the top of my head.

Mr. Arnie Caponigro: All right. Well, maybe that'd be an interesting number to take a look at.

Mr. Steve Williams: Sure.

Mr. Arnie Caponigro: Thank you very much, gentlemen.

Operator: Our next question comes from David Richardson with--a private investor.

Can you state your question?

Mr. David Richardson: Am I on the line here?

Dr. Nelson Ludlow: Yes, David.

Mr. David Richardson: Oh. Hi, Nelson. How are you?

Dr. Nelson Ludlow: Good. How are you?

Mr. David Richardson: I loved the figures. I wish we'd earned a dollar. But, you know, we can't do wonderful things right away.

I'm just going to say one thing, you know, things look great. The future looks great. I've heard all this and it--it's terrific. I was at the annual meeting. Boy, I tell you, I was so impressed I was falling over, raced out, even bought some more stock. How about them apples?

Dr. Nelson Ludlow: Well--.

Mr. David Richardson: --But, there are about 40 people on this line. There were about 40 at--and it could be more. But, how do we get out there and tell the world what we've got to hopefully stop future security violations? I mean, we got it somehow.

I don't care if we have to wrestle a reporter down from Barron's or shoot somebody to get an IBD, or whatever, but we need to get the story out. Nobody knows what you do except the 40 people on this phone, and that's just keeping us from advancing the stock price and, you know, maybe getting some more contracts.

So, do we have any thoughts on that line?

Dr. Nelson Ludlow: Yeah, David. Thank you, and thank you for being at the shareholders call.

Let me first say, there's not 40 people on the line. It's closer to a hundred. So--.

Mr. David Richardson: --Oh, well that's even better. Good--.

Dr. Nelson Ludlow: --It is better. Forty may have been a typical number in the past.

I think the way to do this is to get the Company known out there, is--one of the ways people invest is they invest in things that they've heard of. And so, that's why we're branding our equipment, so, when it is at a major retailer, when you do apply for a credit card, when you do get a new bank account, when you do go on a military base, when you do get scanned at a bar, when you do go into a hotel and check in, you'll see the brand Intellicheck Mobilisa on the equipment that's scanning the driver's license. That's key. That is critical with me. You can ask any of the sales staff, any of our install teams.

That is something I harp on because I believe that it will help the Company, particularly--not only in sales, not only in brand loyalty, not only in recognition, but most of all for investors, because people say, "What is that thing?"

Oh, those are the driver's license reading guys, those--the security company that's behind this. And that's where we need to get our name out.

So, we're doing that. We hired an IR/PR firm. They started in late March.

I was just recently at TheStreet.com. I saw Jim Cramer. James Carbonara's on the line. He and I walked in the door, and there Cramer was being interviewed right in one of the other rooms.

We are getting in some trade journals, more news press, was interviewed by the Wall Street Journal just a couple days ago. We are getting more traction.

But, what I need to convey to the shareholders is keep the faith. We've got to keep pushing on this and keep going harder, and eventually people hear about this.

Again, to quote one of the guys is, "We're saving lives." Our system makes a difference out there. It helps identity theft. It keeps bad guys off of important military bases. It makes it easier to apply for a bank account or actually at a Hertz rental car location here in Seattle. In fact, one of the callers that's on the line right now, she used it when a--on a recent business trip, and actually used our system.

And I think you saw we picked up some of the bigger guys, Wal-Mart, Verizon, we just won AT&T. We're at seven of the top Fortune 20 companies out there.

All this stuff has happened really in the last year or so. So, we've got to keep the faith. We've got to keep pushing. And we're going to--it's going to happen. People are going to find out about us. The volume is picking up. But, we've got a lot more to do.

I value what you say about getting more press. And this is one of the situations where it's a good company, good people working here, making numbers, making things happen, backed by technology patents, but not enough people know about it yet.

Mr. David Richardson: And it's hard to get an analyst to cover you at this low price, I know that. But, it sure would be great to see, I don't know, an interview somewhere or something in a big publication or a big outlet that said, hey, you saw what happened last week down, you know, at the Fort and what's going on. And there are companies in this space that can really help. And by the way, here they are, and there's one of them, Intellicheck Mobilisa.

Anyway, you get my drift, and that's really what matters.

Dr. Nelson Ludlow: I agree with you and we're going to just keep the pressure up, and eventually that's going to happen. People are going to--.

Mr. David Richardson: --Thanks, Nelson--.

Dr. Nelson Ludlow: --[Unintelligible] about it--.

Mr. David Richardson: --I appreciate it.

Operator: Our next question comes from Richard Carp [sp] with Rockwell Global Capital.

Please state your question.

Mr. Richard Carp: Good afternoon, guys.

Dr. Nelson Ludlow: Hi, Richard.

Mr. Richard Carp: Actually, a lot of my things were touched on, but I'm going to--so, I'll be very specific.

The first time I ever heard Wal-Mart or AT&T was just on this conference call now. On the press release that came out, never did it say who you picked up, which obviously press releases, if you included on who you picked up, has a lot more weight than if somebody has to called in on a conference call in the middle of the afternoon on the East Coast.

But, same--with that being said, I have noticed that the volume has increased. I know that, in the past, task management tried to do the same thing with street.com, the wallstreet.com where it was not successful at increasing the volume where obviously there need to be other avenues.

That was one. Number two, you were very light on your conversations on the buoy on one end. You received three million last year. You received another four-point-whatever this year, obviously for the--expanding on that.

Now, you get to keep all the intellectual properties of the product, which means that it's not being made exclusively for the military. And what timeframe are we looking at since you just received these monies in this past quarter? What kind of timeframe are you looking at this product being complete, if you were to estimate?

Dr. Nelson Ludlow: Okay. Let me--and help me if I don't answer all the questions.

The--regarding the buoys, it's estimated that money will probably be spent over a two-year period of time. It is for R&D. They do ask us to try different things. This is a joint venture, so to speak--not of the legal term, but a group of the Navy, the Coast Guard, Homeland Security, Intellicheck Mobilisa, we're all working on this together to improve this and get this right.

And so, the timetable is--in the next year we're going to do a live test in 2010 of this system in the Northwest in a larger scale. And then, of course, at that point sales people then can try to get funding.

A little different, it's more of a business development operation to generate funding from other ports in San Diego, Norfolk, New York, the Bay Area, try to get funding from those important ports and roll out a system there.

And that's how this would work, just like in our commercial space. The thing I am most pleased about is our pipeline is stronger than it's ever been. We are--when we

pick up one of these large retailers that we've mentioned, it doesn't happen overnight. The sales cycle could almost be as long as a year.

And here's how it rolls out. Our--we meet with them. They ask a lot of questions, then they agree they want to start in a trial sense. And usually that's with their management team. Then, their IT department will test it out. Then, they'll by some more equipment and actually, perhaps, try it out at X number of stores, like 30 stores.

And then, after several months of that, then they discuss, how do we roll this out enterprise wide? How do they get equipment? Who delivers it? How does it integrate with the point of sale?

So, by the time we get to say we made a deal with AT&T, or whomever, months have gone by where we're doing that. We're in more trials right now, in more pilots, and have a stronger pipeline than ever.

That's what I'm excited about. That's what--I'm excited for 2010. We have that in the pipeline, and I know for a fact that wasn't there just a year ago when I was looking at it.

So, the--our numbers are already showing increases, but the pipeline is very healthy.

Mr. Richard Carp: Well, what I mean by that, last quarter, on the conference call you mentioned you got a--you know, a telephone company, but you couldn't say who it was. And now you're speaking freely about AT&T, where there's never any press saying that you've picked up AT&T.

Dr. Nelson Ludlow: Okay. [Unintelligible--.]

Mr. Richard Carp: --On this conference call, you acquired a company. The press release that came out never stated who it was.

Now, Wal-Mart, that's huge and obviously worth--depending on how long that contract goes for, that could be worth the money itself right there.

But, until--unless somebody's listening to this conference call, which you have a hundred people on but you have obviously a lot of people who aren't that you want to be able to reach out to--.

Dr. Nelson Ludlow: --Yeah, I gotcha. Let me explain briefly why that's the case.

In many of these cases, contractually we are not allowed to mention the company's name. Now, under SEC purposes we view this as material. Getting the contract with Wal-Mart, getting a contract with AT&T, it's material. So, we have to announce it. We put it in our 10-Q. We say it on our conference call.

What I don't want to do is tick off our customer and put out a press release and saying, hey, we won a big deal when they specifically--part of the deal said you can't do press releases about it. But, as far as notifying shareholders and SEC requirements, yeah, we have to notify that we've won a contract of that caliber, with that type of customer, and we are free to say who it is, but we are not advertising that.

A couple customers have, but we're shifting that. A lot of retailers specifically say, "I don't want to use my name." The government, it's a different story. When we get another military base, we announce it as a matter of public record.

So, I think that's what's driving--that is what's driving why we mention it some on these calls and it's not prominent in the press release.

Mr. Richard Carp: Right now you had made the--you have seven of the Fortune 20 companies. Which ones can you state that you have? We already know two of them, but which one--?

Dr. Nelson Ludlow: --Well, I--again, they block us from saying who they are. But, the--we have seven of the top 20.

Mr. Richard Carp: All right, and left at that, okay. So, the other question I had, which--last quarter you had a lot of patents pending. Where are we at on patents? How many patents do we have pending currently? Can you go into what kind of products those patents are for?

Dr. Nelson Ludlow: Yes. The patents are primarily for identity systems. I am looking at our general counsel. I believe the number hasn't changed other than we've picked up one new pending. So, I believe it's nine plus 11. So, we have nine current--.

Mr. Peter Mundy: --Correct. I mean, and part of applications are they're not a public thing. So, for--excuse me. For proprietary reasons, we don't necessarily announce how many applications we have pending, where they're pending, but we are seeking protection for our developed intellectual property.

Dr. Nelson Ludlow: Richard, the--as you know, and even the new administration, they openly talked about improving the speed at which the US patent trademark office approves patents. It's slow. It's slow for everybody. And we have nine awarded to us, and 11 in the works.

Mr. Richard Carp: Great. That's a nice pipeline in itself.

I--you know, I want to tip my hat. You know, I might come across a little brash, but I'm very pleased with what you guys are doing as far as turning the Company--what you've done since you've taken over since March of last year as far as a company.

You know, obviously the people who are on the phone as shareholders, what they're also looking at is part of--you know, part of your responsibility is increasing shareholder value. And it's being with the price of the stock and the volume, it makes it difficult for you. Being that past management tried certain avenues that were unsuccessful on bringing in volume, you know, I guess we're just trying to find out--I know you said about labeling your product.

What other ways are you trying to go about to let people know who you are? I mean, you're a company that have seven of the top--seven of the Fortune 20 companies as a clientele base that you just picked up, too. You never said how long the Wal-Mart contract goes to, by the way.

But, what else do you plan on doing on getting the name of the company to not only Joe Smith who walks into a store because he's not going to--really moving the stock that much. But, as far as to the investment public who--you know, as far as the brokerage firms, the funds, what avenues are you taking to bring them the product?

I mean, I--you would think in this time and economy, anybody who's increasing revenues in this climate, brokers would be interested in, firms would be interested in.

Dr. Nelson Ludlow: Yeah, Rich [sp], good question. And yeah, some people are profitable right now in the way they're doing it, of course. Anybody--oh, I shouldn't say anybody, but most companies can be profitable in one quarter. What you do is you fire a

bunch of people. You lay people off. You cut costs, hey, and you're profitable. You can do that one quarter.

That's not what we're doing. We're growing the top line and trying to stay just above the P&L line at the same time.

So--and that's what we announced in March this year. I said we were a good \$10 million company and we're trying to grow to a 20, 25. You take our last two quarters and we're running around at 15, \$16 million, so we're already about halfway there to that initial goal. That's not the end goal, that's just a short-term goal.

But, labeling is important. We hired an IR/PR firm in March. Some--the volume is up.

Regarding the price, I think we'll all know in the call, the market has a big effect on that. And so, the market's had a tough last year. I mean, that is frustrating to me. I get--we get to take over a company, do this, and make things happen, and it's a little bit like running into a quicksand on some of this.

But, the--we're getting in trade journals. We're being interviewed more. We're very--we are--have met with every analyst that our competitors cover.

And here's essentially what they say. You guys are doing good. We are--you have us on your radar. We like what you're doing. Kind of small for a market cap, but we are aware of you.

And if they won't provide coverage, here's what we ask: well, then count us as a comp in your comparisons when you do a research report, when you do provide an analyst, mention us in there amongst the bigger guys to be compared to.

So, that's the way we've got to do it. We've just got to keep pushing.

And then, in 2010 you see I'm trying to expand just beyond typical sales to making deals with other companies.

So, that would be another way to expand this, is to get help from some of the larger leaders in their industry that could use driver's license reading and make deals with them, and have their sales force help us expand into their area.

So, it's--to keep doing what we're doing, to keep the pressure up, and eventually-- and I think the numbers just on this call are significantly higher. Volume's up. It's slowly happening, so we're just going to keep going.

Mr. Richard Carp: Well, congratulations on a great quarter. And again, you know, since you stepped in, there's been obviously a huge change. And I tip my hat to you. I hope to see continued growth.

You know, you're showing increasing it 35 percent plus a quarter for the past year.

Dr. Nelson Ludlow: Yeah. And if you guys do a little history search when we were at Mobilisa--and this really is a team effort. The entire management team works on this together. And when we were Mobilisa, we also--I mean, there's several plaques on the wall for Fastest Growing Company, not just for one year, but several years in a row. So, we're going to keep trying that.

And Richard, thank you for being here right from the beginning of when the Company went IPO.

Mr. Richard Carp: Thank you. Have a great one. Good job, guys.

Operator: Our next question comes from Madhu Kodali with Fertilemind Capital.

Please state your question.

Mr. Madhu Kodali: Hi, Nelson. Again, this is Madhu Kodali with Fertilemind Capital.

A quick few questions. Let me start with the revenue and backlog.

I was wondering if you can break it down by segment in terms of commercial and defense, both the revenue and backlog. And also, I was wondering if there is any difference in terms of margins on those two lines.

Thank you.

Dr. Nelson Ludlow: Madhu, thank you for your question.

Yes. Well, let's talk about these.

We had an extremely good quarter in Q3 last year. It was our best quarter of all for last year. So, we're comparing this year to the best ever quarter for last year.

So, our--and what you'll read in the 10-Q when it comes out, you're going to see that the commercial is up 8 percent, even over when we won a big deal for Payless Shoes last year. So, without any big commercial wins, we're still 8 percent up over that time last year.

Government sales up 10 percent, so we saw an increase over that. It's over the Q3 of last year.

Wireless is down 2 percent. That's not a big worry to me. Again, we had one of the biggest quarters ever for wireless in Q3 last year, and that's because we had several people out to see conducting live tests of our Floating Area Network and a think called Trident Warrior. So, they--at least year at this--in Q3 they were actually out to sea, and

so, we had a much higher billable, a much higher revenue. And so, we were a little bit down on that.

In terms of backlog, most of our backlog is in the wireless research and development space. Our commercial and our government space we do have some backlog. But, typically, when we receive a contract, it doesn't stay on backlog very long unless it happens to just fall right on the end of the cusp of a quarter.

So, if we receive a contract for a commercial company for identity systems, let's say a military base, we typically install in around 30 days or less. So, that doesn't stay on backlog very long.

I think you'll see that this quarter we had \$3.9 million of booked--new booked orders. To me, that's one of the very good indications of, well, how much new business did you bring in this quarter? About four million.

Mr. Madhu Kodali: And what is the split again in commercial and government of the 3.9 million?

Mr. Pete Mundy: The breakout of that, Nelson, is about 2.7 million came from the commercial--I'm sorry--from the government and wireless group, and 1.2 million from the commercial group.

Mr. Madhu Kodali: Okay. The other thing--.

Dr. Nelson Ludlow: --Okay. Well, and I would--.

Mr. Madhu Kodali: --I'd like to know--.

Dr. Nelson Ludlow: --Even just say for the wireless group it was essentially hardly any. It was mainly government ID group with the 2.7.

Mr. Madhu Kodali: Sure. Okay.

Dr. Nelson Ludlow: [Unintelligible] for--.

Mr. Madhu Kodali: --And what about the margins? Do you have better margins in one segment versus the other--?

Dr. Nelson Ludlow: --Yeah, absolutely. Wireless will lease margins. Why, because it's research and development. It's a federal contract. Federal R&D contracts run typically between 7 and 11 percent for a--what's called a fixed fee.

What's interesting about it is we get paid for costs, so it's cost accounting, so they pay for labor, lights, all kinds of stuff with--and very good contracts, plus a small fee. And that--and we're right about in the middle of that, roughly 9 percent typically on our wireless contracts.

Our government work has margins closer to the 50 percent, 55 percent margin rate. And commercial is even higher than that. Hence, while you roll up the entire company, our gross margin was 63.8, I believe.

Why? Because it's software. When we sell an enterprise license to a company and integrate in their point of sale, our cost of goods sold isn't that much. I mean, we--a little bit of time, energy to integrate with that Company. But, most of it's software. The cool thing about software, high margins.

Mr. Madhu Kodali: Okay.

And you have seven tier one retailers, including Wal-Mart and AT&T. I guess AT&T is just starting, and probably Wal-Mart, I don't know. But, if you can let me know that.

And also, what level of penetration have you reached across the other five retailers? And where are you in terms of Wal-Mart?

Thank you.

Dr. Nelson Ludlow: Okay. We are used differently in all the retailers. I mean, some are very--let's talk about Target. Target uses us in a credit card application. They use us for fraud detection. There's other applications that could be used, such as pharmacies, with or--within these.

So, they all vary. Wal-Mart was actually from an acquisition from Positive Access. That was one of their existing customers. And so, when we purchased them we now support the Wal-Mart contract.

What was the other part of your question, Madhu?

Mr. Madhu Kodali: Within Wal-Mart, I was wondering, you know, how many stores currently use it, and I guess that is the deal, probably, your competitor gave away for a low price?

Dr. Nelson Ludlow: I believe it was a low price. And let me just mention--let's discuss that briefly.

For 2010--see, we bought them a little less than a million dollars in revenue, accretive deal, so it's making money, and we acquired them.

Now, these are--these guys were small. I--they're very good guys. It was a very agreeable acquisition. Everybody worked together on this. They're part of our team. They're helping us.

And what we're trying to do is take care of those accounts. We're supporting them. We have a help desk. We're doing that.

But, at the same time, many of them were much lower dollar amounts than ours were that are backed by patents that have 24/7 help desks, that have large support team, that have our company standing behind it.

So, we're shifting that revenue. We're stretching the revenue model from their lower dollar per seat to a--what I would call a more reasonable one.

And so, we're in that process. And that's going to take--some of the contracts are up. Some of them, when we renew, we do it. Some of them we're renegotiating. You know, whatever. There's lots of different options. They're all business choices here. And we're looking at each and every one of them to see what makes sense. But, the goal is to improve their customer service, improve their support, and, at the same time, adjust their revenue to a more reasonable one.

Mr. Madhu Kodali: Right.

And as to the penetration in terms of--I'm looking for, you know, what's the opportunity in the--within these seven clients. You know, if you have sold 10, \$15 million in the past, you know, is it 25 percent penetrative--rough--you know, some rough ballpark number would be helpful.

Dr. Nelson Ludlow: Yeah, okay.

The--again, each one is unique and different. Let me talk about the AT&T one, because that was the one that happened in Q2.

We received an enterprise license. They bought software to roll out. But, they're also buying hardware. And we're a partner of theirs and working with them to help install it. They have 15,000 stores, and they're just starting out.

So, we expect to receive additional revenue. And that's, I think, what our press release intended to say, was we think it's potentially a four to \$5 million deal, and as we work with them to roll it out at all 15,000 stores.

How they're going to use it for new accounts, people standing in line, pulling up their customer information quicker. Each one of them is different. I mean, it would--it--I would have to say to investors--I mean, it'd have to go in each and every deal, and actually would get into competitiveness stuff of how I negotiate with each of the other companies.

Let me just say, I believe there is room to grow, even within the ones we already have. There's other applications they could use them for, and that's a great way to start, get your foot in the door in one way, and then perhaps they're not using it in pharmacies. We can stretch that into their pharmacies, for example.

Mr. Madhu Kodali: All right, thank you.

One last question on the TWIC component. You mentioned you have about 1.3 million cards out there, but they don't have any readers. And they are not smart if they don't have readers.

So, what are they using them for today? Why did they buy them?

Dr. Nelson Ludlow: Yeah. Well, it was a federal mandate after 9/11 to do so. L-1 and--was one of the people that helped issue these cards. So, we don't issue the cards, but the federal government did, at one point three million of them.

We make the readers. And I think that eventually the government's going to see the purpose in doing it.

It's not the best of cards right now. I mean, if you look at the cards, there's certain missing information on the card, like date of birth, that is what's required. I mean, to make a valid Homeland Security card, to be a valid government issued ID, you need date of birth on there.

Well, you know what? This card doesn't have it.

So--now, it has it embedded inside. There's all kinds of stuff, fingerprints--but without the reader, my argument is is that the card is almost useless. I mean, you could look at the photo and say, yeah, it kind of looks like the guy, but you have no idea if the guy's privileges have been revoked. You have no idea if the card was lost. You have no idea if it really is that guy. You could check against his fingerprints or use his PIN.

The only way you can do any of that, to take any of the advantages of this very smart card, is to have a reader to go along with it.

And so, where the--we--that's what we do. We make readers to read driver's licenses, so we jumped on this.

I think--.

Mr. Madhu Kodali: --And--.

Dr. Nelson Ludlow: --Congress is working on it and looking at--they did a good job in getting the cards out, and I think Homeland Security and--legislatively they're looking at ways to then get the readers out there, too.

So, they're looking at it. I don't want to throw rocks at them. It's hard to roll something out national-wide, and they're working on it. But, they're not there yet by any means.

Mr. Madhu Kodali: Right. And if L-1 supplied them the cards, doesn't L-1 have a reader as well? And wouldn't they compete with you?

Dr. Nelson Ludlow: Yes, L-1 did announce that they issued a reader. They make a fixed reader that goes on a wall. We make a mobile reader.

There is definitely--now, let me--and this is what I tried to say in the--in other calls. I want all the investors to know this. There is competition in the TWIC card market. I believe there's about eight companies, I believe, showed up at a competition. L-1 was not one of those ones, but they have recently jumped into it.

If you listen to their conference call, their CEO, Bob LaPenta, says that he thinks the TWIC program is hugely important. The government has talked about shifting it from seaports to airports.

And Bob LaPenta and I agree with him on this, thinks that it could even ship to hazardous truck drivers. Any transportation worker would eventually have one of these cards.

Now, as a business decision, I absolutely believe we did the right thing by making a reader. We were the first ones to get approved by ICE and Homeland Security. We were right there.

I believe we make not only the first in there, but the best mobile reader. And we also do TWIC cards plus driver's licenses, which our competitors, one--none of those guys can do.

So, that puts us in the--a better position. But, absolutely there's competition, and we're more than willing to fight in this one.

The driver's license space, we have the patents on it. In this TWIC card space it's a government card and it's an open standard.

Mr. Madhu Kodali: Okay. Thank you very much.

Dr. Nelson Ludlow: Thank you, Madhu.

Operator: Thank you.

Our next question comes from Bill Tappert [sp] with Hermitage Capital.

Please state your question.

Mr. Tappert, your line is open.

Our next question comes from John Hoo [sp] with Credit Suisse.

Please state your question.

Mr. John Hoo: Hi, Nelson.

I just have one quick question in regards to the wireless over the water. It looks like most of your products are domestic products, but that wireless over the water solution might be one that can be applied globally. And I'm curious to what your thoughts are in regards to the opportunity there or down the road.

Dr. Nelson Ludlow: Hi, John.

I agree with that, since we're a company that--I mean, if you--somebody's looking at the big mosaic of security companies, what's the puzzle piece we provide?

We have patents that--on driver's licenses. That's the piece that other people do not have.

But, North American driver's licenses recanted in the US, which we're one of the-- the test center for those new cards for North America. Europe, South America, they use different formats. So, while we read some of those cards, we may not enjoy the patent

protection, or may not be the only--you know, the leading guy in town, so to speak. So, you're right about that.

This Wireless over Water port protection, everybody needs port protection, and it's working very well. That is the one that I believe could grow to Europe, to Middle East, to Canada, lots of other locations.

So, you're right on with that, and that'll be a new thing for us.

Mr. John Hoo: Well, congratulations on a good quarter. Thanks.

Dr. Nelson Ludlow: John, thank you for being on the call.

Operator: Thank you.

Ladies and gentlemen, there are no further requests for questions at this time.

I'll turn the conference back over to management for closing comments.

Thank you.

Dr. Nelson Ludlow: I want to thank everybody in the management team.

Steve Williams is outstanding in business development and sales. And the reason we're making these numbers is because of him.

Pete Mundy has grown his financial group. And we really have a solid financial team that has brought on Kate Homburg [sp], a new controller.

John Lang, who's an intellectual property attorney, you can see how many IP things we're doing, how many big deals we're doing. He's a very busy guy. He's always working on contracts, new things we're doing.

Russ Embry, our Chief Technical Officer, has been with Intellicheck from almost the beginning. He knows drivers licenses and software development.

I--my Ph.D. is in computer science and I've taught in the software engineering world. And Russ Embry is just truly outstanding.

Bonnie Ludlow in marketing, the IR firm we're doing.

We got a good team, and things are really starting to happen. I have never seen this many participants on a conference call. It's always uplifting to say, hey, we had another profitable quarter.

But, it's the shareholders that matter here. Increasing shareholder value, that's what we're working on. And one of the ways to do that, obviously, is to operationally get there.

So, I want to thank, one, the management team for providing such good numbers. And two, I want to thank the shareholders. Some of you guys have been with us for a very long time. And thank you for your support.

Operator: Thank you.

Ladies and gentlemen, this concludes today's teleconference.

You may disconnect your lines at this time.

Thank you all for your participation.