

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

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

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

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

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. James Carbonara, Investor Relations Group for Intellicheck Mobilisa. Thank you, Mr. Carbonara. You may now begin.

Mr. James Carbonara: Good morning, and welcome, everyone. Thank you for joining us today for our 2010 Third Quarter Conference Call to discuss Intellicheck Mobilisa's results for the fiscal quarter ending September 30th, 2010 and to discuss other business developments.

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

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

Certain statements made 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 projections and beliefs about future events. As with any projectional forecast, they are 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 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 within the Securities and Exchange Commission.

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

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

Dr. Nelson Ludlow: Thank you. Well, welcome to our Board Members, welcome shareholders, we're doing something a little different today. We're actually going live with video. We're also having the conference call on the speakerphone as we normally do. We also have slides that are being presented, and so, I would like to thank the staff, particularly, for setting that up.

If this is a good format, if investors like that, we'll try to continue that at other venues. I think this gives us an opportunity to be all around the country to be able to dial in to see us, to be able to get better information, and actually see everyone such as, James wearing a Seattle Seahawks tie. So, I appreciate them doing that for us.

We just concluded our annual shareholder meeting. As you know, a typical shareholder meeting it's short, to the point, and for those that were not physically present here we did re-elect the directors and, we did reappoint Eisner Amper as our accounting audit firm.

They used to be called Amper, Mattia, Politziner, and they have merged. So it's essentially the same and bigger firm, nothing's significantly changed, but thank you, shareholders, for re-electing us as directors, and for their audit firm.

So, we'll go to the next slide. So, we're going to go through a few slides here. Obviously, the Safe Harbor Statement that was already read. And what I would like to do today is show you a little bit about the Company.

You're always welcome to attend shareholder's meetings. It's a very good opportunity. We're here in our Long Island, New York offices, these are new offices, and we have several people here that will be actually demonstrating equipment afterwards so you can see it live, for the people that are dialing in and online, we'll do our best to describe it.

So, we'll talk about our Company, what we accomplished this year, why it's worthwhile investing in this Company. Three hundred and forty-nine companies today are doing their earnings call, and we're the best one, in my opinion, and I would like to explain why. Then any questions that you have, we'll do our best to answer them.

We are a Homeland Security company. We do identity. We check who you are. We check if an ID is fake. We do collect some information and do something useful for it. We also do this for port security and Wireless. It all comes together providing security. A lot has changed since 2001. Here in New York, people of this area lived it. It's very important. We've had recent events, the Times Square bomber, recently, tried to blow up a van in Times Square and then run away to JFK, an airport not very far from here.

A company with this technology, reading ID cards, right here locally, could have helped catch that guy. That's what we're doing, and that's the theme of our Company. Go to the next slide.

We have all of our Board of Directors here today. John Paxton is our Chairman. John has been a mentor to me. He has been CEO of Litton, CEO of many major companies, two of which I'd like to mention: Intermec and Telxon.

If you do mobile computing, John is a leader in that area. I still remember looking at WA CEO magazine, very first issue that ever came out. They had to choose between Bill Gates and John Paxton. They chose John Paxton. And it said the Bar Code King. And John was on that. Thank you, John, for helping with our Company. I truly appreciate that.

John helped recruit someone who helped him at Telxon, Woody McGee. Woody McGee is the CEO of FleetPride. It's one of the major trucking companies across the country. While at Telxon, Telxon was failing. John Paxton took it over as CEO, and he asked Woody McGee to be the Chief Financial Officer.

Those two gentlemen grew that company. And you may remember a thing called Aeronet. These guys were my heroes ten years ago. They sold Aeronet to Cisco, and it started out around a \$300 million deal. And by the time it closed, they've got \$1.2 billion for their shareholders.

General Buck Bedard is a Marine's Marine. And I would like to thank the General for being here today. He has to leave right after this. He's heading out because tomorrow is the Marine Corp birthday. So, happy birthday, General.

And then, of course, on November 11, the day after, is Veteran's Day. We have several people in our country or Company that are veterans and several members of our Board are veterans, no better representative of that than General Buck Bedard.

Guy Smith has been a rock solid pillar of our Board. He came from the original Intellicheck group. He's from Diageo. It's one of the largest alcohol distributors in the country. He understands marketing. He understands business. He understands politics. He's worked for a former White House. He is a senior director.

I cannot tell you, Guy, how much I appreciate your support on the Board. You've given me counsel many times at the right moment and I really appreciate your approach and support in this Company.

And then, my wife, Bonnie. Bonnie is one of those people that can give counsel, that can sum it up very succinctly and truthfully and can help me re-see the things a little more clearly when I need to and has been there through every little bit.

And one of the number one ways, if you're an investor, to tell whether you should invest in a start-up or not is whether the spouse supports the leader of that company. Well, I can't have a better support than for my wife. Thank you.

We'll go to the next slide. We have management team. Steve Williams is our Chief Operation Officer. Steve is here. I have never worked with someone who is more business-savvy, and it's very easy, we think, very often, alike. I never have to worry about when we're making decisions that we'll be out of sync because we think very similarly.

Steve was also a retired Air Force officer like I am. And his last job--he actually worked Capitol Hill. He was a liaison to Congress for the Air Force. He understands Capitol Hill. He understands business, and he is a Ph.D. candidate at the University of Maryland.

Peter Mundy is our Chief Financial Officer. Pete is a seasoned CFO at publically-traded companies. If you've seen those radio tags that go on clothing and someone tries to steal something out of a retail store, and you say, "Wait a minute." It went through a device and it sets off an alarm. A company called NoGo and Pete was the Chief Financial Officer of that company.

Russ Embry is our Chief Technical Officer. Russ has his name on our patents. Russ has been at the Company since 1999. He has been there since the beginning of this. This was before most driver's licenses even had machine-readable information.

What's very important about this is the bar codes, magnetic stripes, that our patents cover. Wyoming was the last state to put that on, 2004. If you're a Wal-Mart, and you're going to implement some big system, you would think to yourself, probably, "I don't want to do it unless it makes sense for all the driver's licenses or at least most of them." 2004, Wyoming was the last one to do it. And then, it takes a while for those driver's licenses to roll out 'til the public had them.

So, really, this technology really couldn't be fully applicable probably until 2008-2009. We're just getting started, and Russ Embry leads the technology team, and he's the guy that's been here through that whole process.

I'd like to introduce three new people that have joined our Company that we've recruited. Dr. Bill Roof. Bill Roof and I have been in three different companies before and successfully grown these companies. They're high-tech companies, companies that symbol Microsoft, other companies have invested in.

Bill's an Academy graduate from West Point. He also had received his Ph.D. from the Naval Post-Graduate School, and he runs our Wireless team, and we have a demonstration. We have one--a small replica of one of the security buoys that we're placing across the United States.

Scott Jacobs is a friend of mine who was a senior person at Naval Criminal Investigative Service. Scott was the Deputy Under Secretary of Defense for Intelligence. So, all the bad guy lists, the no-fly lists, included in other intelligence lists, he coordinated them for the Defense Department.

So, what I like to call "Mr. No Fly List" now works for our Company. I'm very glad that Scott joined us, and he's helping us lead the government identity systems.

And Cliff Link also with the Naval Criminal Investigative Service person. When he left the government service, he worked for Deloitte. And Deloitte did two major things in Homeland Security: the TWIC card that we talked about before, transportation work identity card, that's the card that's at the ports.

That card had to be implemented. It had to be accepted first. You just couldn't roll out a new card. It's the largest roll-out of cards in the government's history. He was the program manager that helped that implementation and got that program accepted.

Then, he was the program manager of the program called "secure flight". Secure flight is the one that checks if you're on a bad-guy list. The system that did catch that Times Square bomber, although it caught it at the last second, that was secure flight, and Cliff Link was one of the program managers help implemented it.

So, we've just got the secure flight guy and the no-fly guy just recently just joined us in the last few months. And I'm very pleased about that.

So, let's just talk briefly about the Company. We're a small company. We were founded in 1994. We were ahead of the power curve on thinking ahead that identity cards might be something that should be scanned and could be useful in helping people have secure and better lives.

The Company went IPO in 1999. We merged with a company that I founded in 2008 in March, and then, last year, we did another acquisition of a company that was doing driver's licenses out of Minnesota. And their founding members are consultants for us, and their employees joined us as well in 2009.

We're a little over 50 full-time employees. We're headquartered in Washington State, but we have centers of gravity in the Washington, D.C. area with the head of the government and here on Long Island where the technical team and our financial team is in these offices.

We're running around \$12 million of trailing 12 months. So, essentially, we quadrupled the revenue in three years. We started at about 3 million. We're up to 12. We really are recognized as the driver's license reading experts.

When other states invent a new driver's license, we offer a service for them to evaluate that new driver's license to see how safe it is, how readable it is, what are the security features? And we help those states do that. We have the world's largest library of identity cards.

Some of our customers, let's talk about the ones on the right side: U.S. Army, the Navy, all the military groups, NASA, Homeland Security. We are at Air Force One. There's a picture out in the lobby, where our system if you go on Andrew's Air Force Base, they'll scan your ID card. That's a card, that was a system invented by Intellicheck Mobilisa.

It's at West Point. It's at 80 other secure installations, including Quantico Marine Corp Base, which is home to the FBI Training Center. And what's very impressive at that location they just recently caught three of the world's, correction, U.S. worst gang members through our system were trying to get onto that base. I have no idea why those guys would try that. But, thank God, the Marines and the FBI had the Intellicheck Mobilisa system, and they caught three of those guys.

The largest group for our Company is, the largest, fastest growing group is the commercial side. And we're very pleased that companies like Wal-Mart use our system. Payless Shoes, the same scanner that scans the shoebox, you can scan your driver's license and safely apply for a credit card; AT&T to help you get your iPhone quicker.

We're at dozens and dozens of all the major brand locations, and the cool part is we're just starting out. So, we've got a lot of room to grow.

So, let's talk about the commercial area. A few years ago, for the long-term investors in Intellicheck, they focused on age verification. Is somebody really 21 in a bar? But, what you may find it's not possibly the best market. It's an okay market, but it's probably not the best market of trying to grow a company. Bars have a tight price point and then, often, you're in and you say, "Hey. I know how to lower your revenue if you buy my product." It's not really a good sales line.

So, we've shifted the Company off of focusing on a single bar, but we've grown it to capture the data that's on that card and do something useful quickly and safely with it. Number one, how to get you a credit card. Most places, if you walk in today, they actually say, "Fill out a form, put your social on it, hand it to a clerk you don't know."

The person retypes it in, might make a mistake, might send your credit card to the wrong location or make a copy and give it to their friend. It's just fraught with problems, and responsible companies over and over again are switching to the new way of doing it, which is to scan your ID and do it online.

We did it at every L.L. Bean. We set up kiosks. And underwriters such as Barclay, Chase, GE Consumer Finance, Alliance Data Systems all those companies we work with to help you get a credit card safer.

The military area, 80 different federal locations. They talked about some of them. What's very cool about this system and we can demonstrate it for you today. We can scan your ID. It'll do a background check on the spot.

There may be some other companies that say, "Hey, pay me to do a background check. I'll issue a proprietary card, and then I can let you onto a base." The problem with that is how do you get that card adopted?

The most popular card in the United States is the driver's license. In North America, 230 million driver's licenses. It's already in your wallet. And if you're not a driver, well, you can still go get an identity card. It is the de facto ID standard.

Whoever has the intellectual property and the applications on that is probably the most ubiquitous, most popular application that you can think of. When you're in the software world, you try to invent the killer app. I can't think of a better killer app than one works with a driver's license. That's what this Company does.

We're also doing seaports. Port of Houston just installed some of our equipment. And probably the one that I'm most pleased with, The Port Authority of New York/New Jersey selected our mobile readers is the one that will scan the truck drivers as they enter the port. We'll go to the next slide.

We're also doing some wireless work. And at first you might say, "Well, how come, in this wireless, how does that fit in with identity?" It has to do with security. It's The Port Authority of New York that scans those ID cards that when you come on to the seaport. The same set of guys are also worrying about the security out at the water. What we're doing is pushing the protection zone further and further up.

There is another company that puts in a scanner for a dirty bomb, and it's actually in the crane. So, when you're lifting up the rail car or sea car and you're dropping it on to the car, you can evaluate and see if there's a bomb inside. Well, that's a little late for the

citizens of Bayonne, New Jersey, or Long Beach, California. It's a little too late if it explodes then.

Wouldn't it be a better idea to evaluate that at the shipping lanes, and just like walking through a metal detector, have that cargo ship go through a dirty bomb sensor? Well, I'm very please to tell you that we just installed one in the Potomac Region just this weekend to protect the Nation's Capital. We'll show you a picture of that at the end. We'll go to the next slide.

The Company's been growing. You'll see, out in the lobby, two recent plaques, and there's several on the wall back there. Five years in a row, either as a private company as Mobilisa or as a public company, the last three years in a row, we've been among the fastest growing companies.

You'll see in this one three years ago, we were ranked number 44 of the fastest-growing public company. Last year, we were ranked number six, that are headquartered in the Pacific Northwest. This year, we were the second fastest growing company.

It's pretty hard to maintain that rate and one of our attorney's said the last company that they saw that was on that list five times in a row was Microsoft. That's a pretty good list to be on every year to keep growing at this rate. And we're going to keep trying to do that.

Deloitte, the last two years, we've been ranked on the fast 500 of fastest-growing companies, and Steve Williams just accepted that award in Seattle, I think, just a couple weeks ago. I'll go to the next slide.

So, let's talk about the stock. Sometimes I think it doesn't always match the performance of the Company. But that's why a keen investor who looks into this might be able to take advantage of that, because I think this is a very good company.

Yesterday, we closed at \$1.25. The market cap is around 35 million. We have high insider ownership, a little over 46 percent. Institutional ownership is about 4 and-a-half percent, and the short position is amazingly low.

I was at a dinner with the NASDAQ, key economist, and we probably had about 50 companies in the room, and he had each of us stand up and say what our short position was. And, I won a bottle of wine for the company that had the smallest short position.

So, on a rare occasion, that get someone says, "Hey, those shorts are killing us." Well, it's a pretty small position. And I would have, couldn't see any reason why someone would want to short this Company.

So, let's talk about the investor relations. We want to communicate with the investors. We want to be able to give you the information you need. So, we hired a professional investor relations group. One of the rules I wanted is it had to be in Manhattan. New York is the financial center. They're located there. Many of our investors, if you look at the NOBO list, are located here in the New York area.

While they're in Manhattan, I interviewed numerous companies. We hired them last year. At the time we hired them, the day that we hired them, we had a zero volume trade day on this stock.

When I met with Dr. Dian Griesel, head of IRG, I said, "That's the issue I want you to help me with." The share price we'll go over in different locations, but I want to get the volume up. This is a good Company, and this stock should be traded, and I want

investors to be able to get in and get out of the stock when it makes sense to them.

Volume is a good thing."

Well, several things have happened this year. We had an underwear bomber at Christmas. We had a Times Square bomber after that. Senator Schumer came to our offices a few months ago and said, "This technology makes sense. We should use this at airports." He identified the \$50 million program that has been yet to be put on contract that could be applied to this.

I think the common person is saying, "Hey, I am tired of being able to go to the airport, they shine a little light on an ID card, and they're not really doing anything with it." The Zogby poll came out: 90 percent of the American public want their ID to be scanned to be checked against the No-Fly list at the TSA checkpoint.

We'll keep the pressure up. Things will eventually change. But each of these events, the stock doubled, tripled, and one time quadrupled in just a very short time. I think that is indicative of how the potential of this Company, the potential of this stock.

Because of that, December 31st, our stock grew rapidly, and we ended up closing that year and were the Russell Microcap top-performing stock for all of 2009. Our Company was the number one performing stock, Microcap.

Well, let's look at the volume. In 2008, the average volume for the whole year was less than four million shares traded. The next year, 15,000. And to date, we're already over 28 million shares traded. That means the average volume's 132 thousand a day, if you average out for the year. It's up 750 percent, approximately. Okay, it's starting in the right direction. That's good news to me. We'll go to the next slide.

So, let's just talk about the last year since our last shareholder's meeting that we did in Manhattan.

We won an award, basically, a few days after that, for the best, new, promising harbor security technology. It was issued by Admiral Cohen. Admiral Cohen used to be the Head of Office of Naval Research. Then, later, he was the Head of Science and Technology for all of Homeland Security. He issued that award for our wireless buoys as the most promising new technology for protecting ports. We then hired Dr. Bill Roof to lead our wireless programs.

On December 1st, we were notified that a company was going to sue us, claiming we had violated anti-trust, and we announced that we were going to vigorously defend that, we viewed it was an unfounded lawsuit, and we'd defend ourselves. Right after that, we won the security contract for The Port Authority of New York for our mobile TWIC readers.

Then, at Christmas time, the Underwear Bomber attacks a plane. TSA buys one of our units to evaluate it, and Steve Williams and I were on several news broadcasts, he was on FOX News. I was on Street.com.

Also, the Air Force gave us approval that they approved their product, our product, Defense ID for Air Force-wide use. We've added more commercial sales. A national fireworks chain bought our product to read ID cards. The price, on December 31st, rose to 4.83, at one point, and added 10 million share day in the head of the New York Stock Exchange. AMEX gave me a call and congratulated and said, "Hey, here's our, here's my phone number. This Company is really performing and we wanted to thank you."

So, there was a lot more news that came out of that. One of the ones was the Wall Street Journal evaluated different technologies and said, "This is a very affordable technology." If you look at some of those other ones like a full body scanner, those things cost a lot. This thing does not cost that much, could be affordable and could be implemented right away. Take a look at that January 17th Wall Street Journal article. It talks all about that.

We've added new equipment at Fort Stewart. A commercial group called Rooms To Go, a furniture company bought our ID checking system. Alliance Data Systems started pilot-testing our ID checking system. That was probably one of the, to me, one of the highest potential press releases we put out.

It might have been a little hard to understand, but this is a company that is the financial underwriters for 90-plus major retailers. We want to provide our technology to those retailers to safely apply a credit card. This is a company that'll help us do that.

Then later that month, Russell announced that we were the top performing Microcap for 2009. Marine Corp, the Army in Arizona bought our Defense ID system.

Now, our TWIC readers, here's the deal. The seaports already have badges. They already have the truck drivers come onto them, the government issues a federal card to get you on. Will that card allow you to every seaport, to every airport? Maybe that's not a good idea.

So, the local ports and the federal government got together and said, "You know what? We should use our federal card but, at the same time, it would be nice if it tied into your existing security system."

AMAG, Lenel, probably two of the world's largest security systems companies, already have badging systems, so we integrated our system into the AMAG system. Then, we integrated our system in the Lenel and got certified. Lenel is the one that The Port Authority of New York, that helped us win that Port Authority of New York contract.

Then, we joined a group called FIXS a few years before that, and we were able to live scan a military ID card to the guys that issue it.

Now, what does that mean? You can scan an ID card and see if it's fake, but if you could actually, wirelessly, send it to the guy that issued the card, say, "Is it lost? Is it stolen? Did the person recently pass away? Was it revoked," that's about the most secure way you could do it. Right to the source of the card.

Maybe even better yet, let's get the original photo, and we'll send the photo back to the computer, and I could look at the photo and see if that's the person standing in front of me. That's pretty cool, and that's what we did with the military ID cards. We're the first and the only one, to date that have done that, and we did that through the FIXS group with the cooperation of the Pentagon, guidance of the Pentagon to do that, and we did.

The Navy wrote up a very good case for our wireless-over-water technology in saying, "This is the right way to do that." Michael Baumann wrote that article. Michael Baumann has a strong background in Navy technology, and it was a very good article about our Company. It's online if you want to read that.

Time Square Bomber does his thing. We ended up on NBC national news. We were on CBS New York news. It was, we're on for nine minutes on the Canadian

Business News Network. At that time then, Woody McGee, joined our Board of Directors. Then, Scott Jacobs, the former Deputy Under Secretary of Defense, who I call "Mr. No-fly list guy," he joins our Company.

We then set up a demonstration of how we could've stopped that guy's Connecticut driver's license when he went into the JFK Airport. We built a demonstration of how it would work. Senator Schumer held a press conference in our offices here on Long Island, and we demonstrated that. There were six different news agencies, television agencies, several others on top of that. Then we were announced that we were, for the fifth straight year, on the fastest-growing company, second fastest in the Pacific Northwest Region.

Now, we want to get into public safety. We're already being able to do an FBI check to be able to read that ID card and actually, not just the publicly-available data but tie it into things like the No-Fly list, the FBI. Essentially, any different list.

A very good product would be to help save the law enforcement lives so that they don't get attacked in an inopportune moment where they're trying to look at a computer back in their car or something and see if this guy's wanted or not. They need that information quickly, accurately, and at the location where they want to do it.

If they wanted to do it at the car, if they wanted to do it standing in front of your vehicle, wherever, they need to have that ability. So, we created a mobile reader, the Fugitive Finder, to do that.

But, we want to make sure we get this right, so we were very fortunate four of the nation's leaders joined a Board of Advisors for us and created a Public Safety Advisory Board.

Ronnie Carter was the former, Director of Alcohol, Tobacco, and Firearms. Mr. Carter is an outstanding, he knows this deal probably better than anyone, and has been a big supporter for us.

Major General Jack Davis, is a retired Marine General, but also he helped serve on the North Carolina's Bureau of Investigation. He's very strong in law enforcement, also with the Naval Criminal Investigative Service federal agent. He knows this deal very well.

Dan Linehan, from the State of New Hampshire, several different positions in law enforcement and ultimately a long career as the Sheriff of Rockingham County in New Hampshire, a sheriff who understands law enforcement and can give the perspective that we need.

And then, Shelly Greenberg, who's the Dean at the Public Safety Division at John Hopkins University - these four gentlemen are helping us lead a product to go the right direction to create a product for law enforcement.

We, let me just go back one, and we successfully launched this product. We demonstrated it recently at two conferences. This does a live check to the FBI's database. Very, very cool. You've got to be a bonified law enforcement or federal agent to use it. We're the guys that are providing that product and this is going to be a new initiative for us.

We sold to several other bases. Fort AP Hill's an interesting base. It's in Virginia. They hold the National Boy Scout Jamboree every year there. They're always concerned about that for security. They bought our system, and one of the reasons they quoted for buying our system was that jamboree.

Then, we were fortunate enough to have, Mr. Cliff Link join us, the guy that was from Deloitte, to help us with the Homeland Security business development.

The Marines bought our system out in California in the desert. Army, Fort Leonard Wood, that is the Army's police, military police training school is at that location and they bought our system.

Camp Atterbury is one of the country's largest guard bases, where they train personnel before sending them overseas. They bought our system. We were named as the top three finalists for Ernst and Young as an Entrepreneur of the Year for technology.

We moved to these new offices in New York, and I'm very pleased. These are beautiful offices. They look good. And let me tell shareholders we did it for, we were able to spend less money, get more office space and get better office space. It was a no-brainer decision. It was a win, win, win for us.

We recently added another half million dollars to our wireless work. We sold a few more bases TWIC readers at Houston. The bottom line there is a company called MICROS. MICROS is out of Maryland, and MICROS is headquartered there. They are the leaders in point of sale for hospitality and property management systems for a hotel.

When you check into a hotel, what are they two things they always ask to see? A credit card and a driver's license. Well, they already have a credit card reader. The driver's license has to be entered somehow--the name, and address, and all that information. If I could scan that with one box and do both, that would be very cool.

Well, we're already started testing that, and I've mentioned that on a previous few calls, but what we've now done is partnered with a large company, MICROS, the number

one company in this field, to be able to add our new technology to their existing products. And that's something we've just started with them.

So, let me just recap. We have 230 million driver's licenses in North America. If I sat down and tried to think of a killer app, it would be long and hard to find one that is better than the applications that are driven from a driver's license.

Our Company owns a driver's license reading patent. We acquired one of our competitors. We have no debt. We have sufficient capital. We have many state contracts, many of them are government contracts. Our trading volume has been increasing. Just last year, we were ranked as the top performing Microcap. There's been several events, just this last year, that demonstrate the potential of this Company.

We're the leader in military. We're the leader in retail, and we're expanding to other markets like ports, hospitality, banking, law enforcement. We've been increasing our salesforce, and you can see we're starting to partner with other big companies to help us get into those markets.

So, what I'd like to do is hand it over to Pete Mundy. Pete's going to talk about some of the specifics on the financials for Q3, and then I will, we'll go to these slides. I'll save the last three slides. Show you a couple pictures of things that we're doing here that I think you'll find interesting.

So, Pete?

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

I'd like to--good morning, I'd like to discuss some of the financial information that was contained in our press release for the quarter ending September 30th, 2010, which we

put out this morning. Our complete quarterly report on Form 10Q will be filed with the SEC this afternoon.

Revenues for the third quarter ending September 30th, 2010, decreased 5 percent to \$3,567,000 compared to 3,755,000 for the previous year. There was an increase in identity system revenues of 3 percent, which was offset by a decrease in wireless R&D revenues.

We did not enter into any enterprise licenses during the third quarter of 2010 or 2009. Total booked orders were approximately 3.9 million in both the third quarters of 2010 and 2009. As of September 30th, 2010, our backlog was approximately \$4.8 million compared to 7.2 million at September 30, 2009.

Previously, the Company recorded in our backlog certain wireless R&D revenues that when the award was announced, they're included in the congressional budget with the company named as the requestor.

In the second quarter of 2010, management reduced the stated backlog by \$3.3 million. This is done because Congress announced that the earmarks awarded to public companies in fiscal year 2010 are now subject to competition even when the government would have determined that a sole source justification was the best method of contract award.

Therefore, we continue to compete for the 2010 earmark funding for the Littoral Sensor Grid. As we've routinely stated in the past, we're not afraid of the competition. We're a world leader in this type of research and development, and as the 3.3 million that we backed out of our current backlog was initially included in the \$7.2 million backlog at September 30th, 2009, the real backlog on a comparative basis was 3.9 million at

September, 30th, 2009. The current \$4.8 million backlog is expected to be realized over the next 12 to 15 months.

We still continue to maintain high gross profit margins. Our gross profit is a percentage of revenues with 62.8 percent for the three months ended September 30th, 2010 which is just slightly lower than the 63.8 percent for the three months ended September 30th, 2009. The change is due to an increase in merger-related amortization costs in 2010 as well as changes in our product mix.

Terms of expenses, our operating expenses, which consists of general selling and administrative research and development expenses, increased 20 percent to 2,741,000 for the three months ended September 30th, 2010 from \$2,287,000 for the three months ended September 30th, 2009.

The increase in 2010 expenses is primarily related to new hires, increased payroll and related costs, contracted consulting fees to the former positive access principles, legal fees related to contract review and litigation and additional Board and consulting fees.

In the third quarter, the Company also incurred moving expenses related to lease termination costs for its Woodbury, New York, office, and our new lease here for Jericho, as Nelson mentioned, allowed us to expand our floor space by 30 percent at no additional cost and certainly more beautiful office space.

We're continuing to monitor our cost structure, but as Nelson has stated in previous conference calls, management's plan for the 2010 includes some increases in operating costs to create and support additional revenue's generation. These additional costs included the addition of two senior management positions hired to pursue government and Homeland Security sectors.

Interest income was negligible during the quarter. The interest expense of \$7,000 in the third quarter represents interest in amortization on the deferred debt to the discounted notes on the former principles of Positive Access.

We've not recorded a tax provision due to the expected utilization of our net operating loss carry-forwards. We still have a net operating loss carry-forwards of approximately \$38.7 million.

Adjusted EBITDA for the quarter ended September 30th, 2010, was negative \$74,000 compared to a positive amount of \$518,000 in the quarter ending September 30, 2009.

Our net loss was \$509,000 or two cents per diluted share for the three months ended September 30th, 2010, compared to net income of \$110,000 or zero cents per share for the three months ended September 30th, 2009.

Revenues decreased by 6 percent to \$9,245,000 for the nine months ended September 30th, 2010, from \$9,838,000 for the nine months ended September 30th, 2009. Now, that decrease is primarily related to lower wireless R&D revenues.

Identity systems revenue increased in 2010, despite no single major contract win. 2009 revenues included an enterprise license to a large telecommunications company, which went right to the bottom line. In the first nine months of 2010 and 2009, adjusted EBITDA was negative. In 2010, adjusted EBITDA was negative 54,000 compared to a positive 54,000 in the prior year.

In 2010, the proceeds from the exercise of stock options was 252,000, higher than in 2009, and scheduled payments of \$400,000 were made to the positive access principles as part of the acquisition.

Of the \$1.9 million in cash used in the first nine months of 2010, approximately 1.3 million in cash outlays were of a non-repeating nature. We currently anticipate that our available cash and cash equivalents, as well as the expected cash from our operations, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

However, we'll keep open the option to raise additional funds to respond to business contingencies, which may include the need to fund more rapid expansion, fund additional marketing expenditures develop new applications for our technology, enhance our operating infrastructure to respond to competitive pressures or to acquire complimentary businesses or necessary technologies.

There could be no assurance that the Company will be able to secure the additional funds when needed or to obtain such on terms satisfactory to the Company, if at all.

We currently have effective a universal shelf registration statement under Form S3 with the Securities Exchange Commission. Under that shelf registration statement, the Company may offer and sell, from time to time, in future, in one or more public offerings, its common stock, preferred stock, warrants and units.

The aggregate initial offering price of all securities sold by the Company will not exceed \$25 million and, pursuant to SEC rules, the Company may only sell up to 1/3 of that market cap held by non-affiliate stockholders in any 12-month period.

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

Dr. Nelson Ludlow: Thanks, Pete.

So, why don't we go to the next slide? We'll just do a couple slides, and then we'll answer questions.

This is kind of a dark picture to see, but in Maryland area, that was a crew lifting one of our security buoys with a crane. We'll go to the next slide. It's a little easier to see.

There he is floating in the Potomac River near a power plant and near a military base. It's at the mouth of the river that actually protects the Nation's Capital region. This is one of the first buoys to that area. There was some permitting process, there was several things that had to go into place to getting this as one of our new buoys.

It has a dirty bomb sensor on it and other advanced features. This is the first of this new line, and, although Pete mentioned that the wireless revenue was down some, I think it was because we're getting this right before we start launching several new buoys.

Let's go to one last slide. You guys have heard of Clear, which is a card that gets you through the airport quicker. That company is re-launching, and this is one of their advanced, their prototypes that they've placed in some airports that they're about to start using. And if you can look closely, one of the readers, which is right there, is an Intellicheck Mobilisa Driver's License reader which I think is very cool.

So, those are the two things that if you read the press releases or you might not have known about--I wanted to be able to tell you about the buoy that was just placed in the water and the Clear ID reading station.

So, we'll take whatever questions people have. This is going to be a little different because the lines here and the shareholder's meeting is live.

I may try to help you restate the question so that the other listeners--can you please state your name, your organization, and question.

And we have several people here. Pete Mundy, our CFO, Steve Williams, our Chief Operating Officer, and John Paxton, our Chairman, and I will all do our best to answer whatever questions you have.

Let's wait just a second until the operator--I think he has to say something first. Is that right?

Operator: Thank you.

We will be conducting a question-and-answer session.

If you would like to ask a question, please press star-one on your telephone keypad. A confirmation tone will indicate your line is in the question queue.

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

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

Once again, ladies and gentlemen, to ask a question, please press star-one on your telephone keypad.

One moment, please, while we poll for questions.

Dr. Nelson Ludlow: And, operator, we have a few questions here in the shareholders meeting, as well.

Operator: Excellent.

Our first question by phone comes from the line of John Bendel with JBC Partners. Please proceed with your question. Your line is now live.

Mr. John Bendel: Thank you. Good morning, Nelson.

Dr. Nelson Ludlow: Hi, John. How are you?

Mr. John Bendel: Okay, thank you.

I must tell you that it sounds a lot like last meeting-- last year. This is the exact same meeting.

My question really, Nelson, goes--and I hope he will address it to Mr. Williams. A lot of us are very confused and upset. We think there's nothing wrong with exercising stock options, and I think that's a very good program that you implemented a number of years ago.

But, what no one can understand--and certainly, I--for a COO to exercise 40 cent options and then sell those at a dollar or less--around a dollar, maybe close to a hundred thousand shares or whatever-- it doesn't put a lot of confidence--and for seven years, I've been on these calls and been at the annual meeting and have met you, been a big supporter.

Have not seen any support--I know you cited a lot of statistics, as far as stock, but the fact of the matter is, when you're real you look at the stock, and it's down today. It's down almost every day.

But, I think, when--the S3 was a mistake, but I think for Mr. Williams to sell his stock--now, I've heard that he wants to pay taxes which we all have to do, and he has to pay for it, but most people--I could see it if it was \$5 or \$8--God bless.

And I, again, think it was smart for you all to implement that program. But, to sell stock for 40, 50 cent profit- I'd like for him to explain that, if he would, to a lot of people that are listening for this answer.

Dr. Nelson Ludlow: Okay. Thanks, John. How about I say something first and then, Steve, you can say something?

Let me--first, just to address the S3 being a mistake, what that is a shelf registration. What it is is for the shareholders, it's a registration if we want to sell some shares. Company's done this in the past for other mechanisms--pipes, things like that.

What this is letting shareholders know how it would work, what could happen. And we didn't immediately do it, but what we've told people is that we could. It's, I think, irresponsible not to have one in place.

Mr. John Bendel: Well, I can agree with you--.

Dr. Nelson Ludlow: --Well, John, the--.

Mr. John Bendel: --Go ahead--.

Dr. Nelson Ludlow: --Just let me answer the question first--.

Mr. John Bendel: --Sure. Absolutely.

Dr. Nelson Ludlow: And I know--I--John and I have spoke before a few times, and I know he doesn't like the S3 registration, but let me just comment two things about it.

First of all, it doesn't really drop the price significantly. And if you look at the price when we filed it on July 19th, it was \$1.43. I checked earlier today. We were at upper 1.20s. It's not a significant change of the price.

Second of all, there could be situations where Homeland Security wants to move quickly. I want our Company to be able to move just as quickly. And if they want to put readers across the United States, I want to be able to have our Company in place to do that.

Mr. John Bendel: I applaud you--.

Dr. Nelson Ludlow: --And if you're a large company, you have the funds to do that. We need to be able to have the ability and the shareholders to have the ability to help us be able to roll that out across the country. So, what this is is a registration that's in place just to do it.

And then, John, just to address the question about Steve Williams. What I don't like about it is it makes an assumption. And the assumption is that a--the member of the Company thinks a Company's going nowhere and says, "Oh, I'm going to be selling a bunch of shares to get out, because I don't believe in it." That's the assumption that's being made with that comment. I don't buy that for a second.

I know Steve. I don't believe that Steve Williams thinks the Company's going nowhere, and that's what his motivation is. Just on Friday, Steve Ballmer sold \$1.3 billion worth of Microsoft stock, and he did it for the purpose of rebalancing his portfolio and for tax purposes.

If someone is selling a few shares that are lower--it isn't even a hundred thousand shares, I don't believe that that's changed anything, and I don't believe for a second that our Chief Operating Officer doesn't believe in this Company.

Operator: Thank you.

Mr. Ludlow, there are no further questions by phone.

Mr. Steve Williams: Let me comment.

John, hopefully you can still hear me. I just echoed Nelson's regard. I think you'll see in the SEC filings I have expiring call rights and a significant position with those call rights.

So it has nothing to do with the health and the wellness of this Company. It has everything to do with diversification and maintenance of my portfolio.

Dr. Nelson Ludlow: And one thing I want to thank Steve for doing is when you do a startup--and I've done several of these, the key factor, to me, is somebody that's invested in it that has skin in the game that is on the team that makes it happen. Steve's one of those guys.

He puts his own money in. He is selling a few of the shares he can to buy more shares, and he is totally--his time and energies are invested in the Company. That's what you want in a COO. That's what you want as a member.

So, yeah, although there's a few shares sold, if you look at the big picture--and that's the cool part about it. That's what the advantage of these calls are. You can understand the real purpose behind it. We're both big believers in this Company.

We--operator, we have a question here in the audience.

Mr. Howard Shannon: Howard Shannon [sp]. I'm a stockholder. It's somewhat related to that same question.

Dr. Nelson Ludlow: Okay.

Mr. Howard Shannon: If that's involved with one person, I'm wondering if you could tell me the net sales of stock by the management and the Board, whether it be positive or negative to the last quarter?

Dr. Nelson Ludlow: Okay. The question was from Howard Channing [sic]--.

Mr. Howard Shannon: --Shannon--.

Dr. Nelson Ludlow: --Shannon, who is a a shareholder, and he asked a similar question. He wants to know what the net sales for the management team were for the quarter.

I would guess that, for the last quarter, that there were some sales that were on the form 4. Cool part is, every one of ours are available via form 4So, let's say it was, but let's look at the period prior to that.

Since the merger, which we announced this in 2007, no one on the management team or the Board of Directors sold any shares, and they all bought shares. And, you know, my wife and I are heavily invested in and have a large amount, and we also bought some shares.

So, again--now, this--the old adage that if you try to say, "Hey, well, let's look at what the insider's are doing. If they're selling, must be something wrong in the Company." I don't believe that for a second.

There may be a few times where someone is trying to, as Steve Ballmer did, readjust something for his portfolio, but I don't believe Steve Ballmer thinks Microsoft's going under. And we don't think that as well.

Mr. Howard Shannon: Thank you.

Dr. Nelson Ludlow: Thank you.

Let's give it some time. I want to make sure we get any questions, because this is a good opportunity and I really want to thank the people that traveled here today, because you get the opportunity to meet the team, you get to meet management, you get to see the products. We're very proud of our products.

Operator: Mr. Ludlow, we do have two questions by phone.

Dr. Nelson Ludlow: Okay.

Operator: Our next question comes from the line of Ernest Capone, a private investor. Please proceed with your question. Your line is now live.

Mr. Ernest Capone: Yes, good afternoon, gentlemen.

I think the thing you must look at in this situation is perception of the investment community. Whether it be right or wrong, I think that was the point that they were trying to bring out about the sales of the stock. It's the perception at the particular point in time.

Secondly, I was just wondering if you could address revenues - what your plans are that you can pinpoint in a more specific manner over the next 12 to 18 months to get sales to a comfortable level where we could get break-even? And question is how about a blog?

It would be appropriate for the Company to create a blog where, if these situations do come about, you can answer the comments or make comments in an appropriate manner in a blog fashion, which would get everybody at the same time so that you can put to bed these, maybe, misperceptions by the investment community or public shareholders.

Dr. Nelson Ludlow: Okay. Hey, Ernie. How are you doing?

Mr. Ernest Capone: Good. I wish I could say--.

Dr. Nelson Ludlow: --Okay--.

Mr. Ernest Capone: --That the stock was \$4, and we're doing better but, you're laying the foundation that just continues to keep growing and growing. And one day, I guess the world will wake up and realize that we are more than \$1.25 stock.

Dr. Nelson Ludlow: Well, Ernie, let's--we are laying the foundation. Let me address a couple things.

One of them--it says about break-even. We're essentially running the Company--and I've said this before. When we were profitable, I said, "Well, yeah, but it's very minor profitability." Okay, and the same--when we're--it's loss, it's the same thing.

I'm trying to run this Company at a near break-even. And the reason we're trying to do this is I want to grow this Company. I don't want to keep the Company at a \$12 million level. I want to grow it. And to do that, we need to invest the dollars that we have into new technology, new people and grow it.

I think that's what you want out of the CEO. I think that's what you want out of the management team. That's what I want, as an investor, is to grow this. I don't want to squeeze 2 percent more out of EBITDA. I want to grow the Company at significant levels.

That's what we're trying to do, and I think you've seen that we hired some senior people. Deputy Under Secretary of Defense, the guy that ran the No-Fly list for the Defense Department, the guy at Deloitte that did Homeland Security. We brought in other key people. We're bringing in new products, a Board of Advisors.

I mean, maybe you can say, "Well, that isn't important," but those are the foundation pieces that help you grow. So, we are doing that.

Regarding the blog, I'll just tell you what - I'm not too keen on that. I'm more than happy to answer any question you have, but I can tell you what, if you go online and you read a message board, you can almost guarantee they got it completely wrong. I mean, there's crazy stuff on those boards.

To try to address each and every thing, particularly by a guy who doesn't even have the courage to put his name behind it, isn't worth answering. And if you do read it--you know, again, if you want to guess at whether it's true or not, you can almost usually guess it's false.

Problem is it's a hot bed for people that want to short a stock to make up junk to try to drive it one way or the other. What I said last year at the shareholder's meeting--if volume increases, that junk tends to filter out. The more volume--if one guy's trying to manipulate it or play some games, the more volume kind of smoothes it and makes that junk go away.

Luckily, our volume's up 750 percent. I want to keep that going in that direction and I don't really want to encourage people going, "You know what? Let's try to find out ways to increase communication through the investor relations firm, through public press releases and through shareholder meetings, and we'll do that as much as possible." But I mean, I guess we could talk about it with the Board, but I'm personally not in favor of a blog.

Operator: Thank you.

Our next question comes from the line of John Bendel with JBC Partners.

Please proceed with your question. Your line is now live.

Mr. John Bendel: Yeah, Nelson, we never did get to the point--which I'm getting a lot of e-mails. I wanted to try and just explain to us--as I said, I'm not, I think, trying to compare what Mr. Williams sold to Ballmer, so, a big difference, you know, with Microsoft--.

Dr. Nelson Ludlow: --Yeah, way less. Way, way less--.

Mr. John Bendel: --Yeah, yeah, it's a big difference. I mean, the stock has been around a long time. It has some liquidity.

But, you know, what I don't understand--and I would appreciate if you and he would appreciate it. Listen, if a stock was three, four, five, and he exercised at those options, God bless, you know? That's what you're there for, to do it.

But, just to be able to make 80 cents or 60 cents--80 cents, why not either do one of two things: either extend the options that you all have granted to him for another year or two, or, wait until the stock, if he's optimistic, 'til it's three or four and then be able to sell? But, to put pressure on something that was being pressured already, it doesn't--it just doesn't seem right.

I could see if he was going to make himself a million dollars, but with a 40 cent, 50 cent, difference, I can't figure it out. And I would really, welcome you to explain that to me or to us - the people that have asked me to ask that question.

Dr. Nelson Ludlow: Okay, John.

Well, what I can add, let's say, since I would've already said, is extending the options one, it's not a Board option. It's a personal option when we were a private company trying to grow this Company, and I am a big believer of having certain people be part of the team. And that's why this call, right, is in place.

Second, no matter when you pick a time--because this happened three years ago, is the date, I would imagine some shareholder would say, "I don't like that time." So, whatever time we pick wouldn't be a good one.

I think this is a small amount that is not affecting it either way. What I want to focus on, rather than worrying about the stock price and whether someone sells and

moves it a few cents one way or the other, is to grow the Company. It's to get those bigger contracts, to get us into Homeland Security.

That's where the Company needs to go. That's why I'm invested in this. The patents are highly of value. The contracts that we're doing are getting us new places. We're at Andrews Air Force Base. I want to get to other more locations. That will take care of all this noise and get us all--raise the tide, and all our boats will be much higher, and we'll all succeed from that.

I think we have another question.

Operation: Thank you.

Our next question comes from the line of Gus Allen with GA Financial.

Please proceed with your question. Your line is now live.

Mr. Gus Allen: Thank you. Good morning, Nelson.

Dr. Nelson Ludlow: Good morning, Gus. How are you?

Mr. Gus Allen: I'm okay. Thank you.

The George Washington Bridge prevented me from getting there this morning, unfortunately, but, I have a couple of questions.

You mentioned--or, Pete mentioned the decline in wireless R&D revenues, and I'm wondering what does that mean for wireless going forward? Are there going to be more wireless R&D revenues coming forward? Or are the technologies developed enough to now we got to persuade the U.S. Navy and others to use these technologies we've developed?

Dr. Nelson Ludlow: Gus, good questions.

Wireless revenue is down 25 percent for Q3 of this one to Q3 of last year. It's kind of like slicing baseball up where you say a left-handed hitter against a night game versus--if you do it too much, you almost lose sight of winning the game, and you get into the details.

When you happen a smaller company with smaller revenues, you break it into too many little things it's--so, let's put it in perspective. Twenty-five percent drop was 1,100--I'm doing this off the top of my head, 1,102K down to about 832K-ish.

Okay, what that means is we dropped about 300K. Okay, one of the reasons is we have a subcontractor at University of Washington that was slower to roll out of certain items than they normally would. Okay, that's probably almost most of that funding.

And then, also, we were trying to get this buoy right. It was the new buoy of a new generation at a new location. After they see that, there'll be more to roll out. I expect us to go back to normal revenue recognition that we've done in the past on the wireless.

Again, the goal there is--the last thing you said, though, I do want to echo. Yes, we do want to convince the Navy and Homeland Security to use this and use it at other ports. This is an R&D program. It's an R&D success. What we have to do is get the government, then, to say, "You know what? I want that same thing in the Potomac. I want it Norfolk, San Diego, Bayonne, New Jersey." That's the key that we've got to do, and yes we have to do that.

Operator: Thank you.

Our next question comes from the line of Ernest Capone, a private investor. Please proceed with your question. Your line is now live.

Mr. Ernest Capone: Hey, Nelson. Getting back on the wireless, can we address this a little further, especially now with these--?

Dr. Nelson Ludlow: --Sure--.

Mr. Ernest Capone: --Potential bombings on these air flights the last couple of weeks?

When you're putting out this buoy, is there a certain amount of mileage you're-- that you want to put it out to sea? Or--you're putting it right in the canal. And how many buoys do you have to put in a port?

And in your discussions with the government, now that they've tried to blow up airplanes on UPS planes and things like that, what's really stopping anybody from putting a nuclear bomb on a boat?

I mean, right now, what kind of protections do they have out there in the marketplace where anybody can take any kind of boat, put a bomb on it, and sail it up a river?

Dr. Nelson Ludlow: Yeah, Ernie, you're right on. Our seaports are vulnerable. It's not a secret. It is a problem that the government has.

At one time they--there was a program where they wanted to, essentially scan/look at, 100 percent of all the cargo coming in. The fact is, we don't do that. It's closer to 5 percent.

So, it's--it is a vulnerable spot. So, the government needs to look at it. It's-- at one point, there was more new discretionary funding in Homeland Security--because most of it's a fixed budget. You got to pay the coast guard and TSA agents. There isn't much change in the budget, but for more discretionary dollars, where they have ability to

move them around from what area, was going to seaport security than any other "where" in Homeland Security.

Mr. Ernest Capone: Well, what about-- but, what if the new Congress coming in? Have you had discussions with King? And in this program, what would it really take for the government to really protect itself in this kind of manner? What kind of investment would they have to make?

Dr. Nelson Ludlow: Well, to our knowledge, we're the first ones to put this on a buoy platform with a dirty bomb sensor. I do want to specifically thank Representative Peter King. Our office is under his district. His office was helpful in us moving here. We have met with his staff before. We also want to thank Senator Schumer, who came out and visited us as well. Both sides of the aisle. They've been very helpful to us.

This is an area, Republican or Democrat, it doesn't matter which Party you're with. Homeland Security matters. In the State of New York, it matters. It matters across the country. Every congressional person--Congressman Dicks that we've worked with. They've all been very, very helpful. They all understand the importance of it. I can't thank them enough for how much they've done this.

We're working on a complex thing. We're working with the federal government. There's a lot of agencies. It takes time, as we all know. I'm not going to give up on it. We keep pushing on it.

That's why we have an office in Washington, D.C. That's why this new buoy is in the Washington, D.C. area. That wasn't by accident. That's where the decisions are made. That's the right place to place this first buoy, so the decision-makers can go on a

boat, go see it live themselves, and then, those decision-makers, then, can put them in their home districts.

Operator: Thank you.

Our last and final question comes from the line of Gus Allen with GA Financial. Please proceed with your question. Your line is now live.

Mr. Gus Allen: Thank you.

Nelson, the second question I had. There's an article in today's New York Times on unhappiness of air travelers. And within the article there was a paragraph or so about a fellow by the name of Giovanni-- I can't even read my writing, who's Chief Exec of the International Air Transport Association, who recommends greater focus on finding bad people than finding bombs or whatnot, that are going to be placed on airplanes.

Dr. Nelson Ludlow: Yeah.

Mr. Gus Allen: Does this guy have any real power, in getting his opinions paid attention to at Homeland Security, TSA or whatnot?

Dr. Nelson Ludlow: Well, I don't know Giovanni's last name, but let me just tell you what--our discussions with Homeland Security.

They do realize the importance of checking the identity as well. In the past--it's not a secret, is other nations, such as Israel, spent a lot of energy on catching the bomber. The United States uses a lot of technology to catch the bomb.

The Times Square bomber was probably one of the best cases of that. Here's a guy--he is the bomber. He just set off a bomb in Times Square. He gets on an airplane, and there were other people on TV arguing that he didn't have a bomb. Yeah, at that

second. But, he's the bomber. I still don't want that guy in a plane. We should have caught that guy. Our system could have caught it.

So, the right solution, obviously, is a blended solution. Technology--that full-body scanner to see if you're carrying a bomb and also an identity scanner to see if you're a bomber or if you're on the TIDE list, like the Christmas bomber was. The guy's father told the CIA, "I think the guy might blow up a plane." What more is it going to take? That information should be used. It's responsible to use both. Obviously, we got to do both.

And other companies like OSI Systems--they do a very good job building those full-body scanners. A right approach is to use that plus ours. Ours is a--Wall Street Journal said ours is a very affordable technology, particularly compared to those--what's the cost of security? I mean, I think it's very worthwhile.

What Homeland Security is doing is, just last week or a few--maybe ten days ago, issued a request for proposal for a program called Credential and Authentication Technology to look at catching fake IDs and to--matching the boarding passes.

Homeland Security is making some steps forward, and we're working with them and other companies to get our technology in there. We got to keep the pressure up. We've got to keep doing the right thing. And sometimes, we have to help them get there.

But, we got the right product, and someone was talking to me before the shareholder's meeting - underwear bombers and Time Square bombers aren't going away. They just aren't. And they will be there again. You've seen what it's done to the stock price.

Unfortunately, sometimes, it's an event like that then causes the next steps for security to change. We're going to keep being there, from the beginning all the way to the end, to help this process. And that part's not going away, and we're going to keep our efforts up to help make America safer.

We have a question here in the audience.

Mr. Phil Glickman: My name is Phil Glickman. I'm a private investor.

And I've been sitting here listening to your presentation. I am not an analyst and I'm very impressed with what you have accomplished up 'til now.

But, the point I'm trying to figure out is, with the stock selling at this price, there are a lot of slow cap, money managers, fund managers, [inaudible] new ideas, new companies.

Have you made any effort to contact these people, invite them to come up here and sell your Company to the--sell the idea of investing with your Company to these people? I'm sure they're sitting on a lot of capital, and they're looking for a new Microsoft, a new Intel. Have you contacted anybody in reference to your Company, as far as your stock--?

Dr. Nelson Ludlow: --Okay. Mr. Phil Glickman, who is a shareholder here in the audience--and he said that he's not an analyst, that he thought that we've done a good job of growing the Company up to this point.

The question that he has is, there's many small cap managers and have we, pitched our Company to those small cap managers, so that they would be interested? One of the reasons I hired an investor relations group, is so that we do meet with them.

We've had, meetings as little towns as Yakima, Washington, with 50 high net worth investors showing up to launch into New York City, to San Diego to Los Angeles, to having meetings with lots of different advisors.

Recently presented at the Roth Financial Conference, Steve Williams who's presented it to Morgan Keegan Financial Conference. I think we've probably met with this--since the last shareholder's meeting, probably 20 to 25 investment firms, whether it be micro cap, small cap type.

And I think this is a very compelling story.

Mr. Phil Glickman: I agree.

Dr. Nelson Ludlow: Thank you for calling.

Any other questions here? Any--and, operator, any questions on the line?

Operator: Mr. Ludlow, there are no questions by phone at this time.

Dr. Nelson Ludlow: Well, I want to thank shareholders for attending. Welcome the opportunity to do that.

We're going to try to do a few more of these investor presentations-- the earning conference calls online. I like meeting with shareholders.

I want to thank the Board for being here so that you could meet with them. I want to thank the people who called. If you're an investor and you go to a conference call, they ask questions, you're a lot smarter of an investor than the typical investor. I appreciate all you guys doing that.

I'm very jazzed that we're a public company, because we have the ability to show what we're doing. We have the ability to show the finances, to show the contracts, to show the people we're working on. We're very proud of it.

For the people here, we've got a couple more demonstrations, if you'd like to see one-on-one, like, identity scanners. We have a replica of the buoy that we have in the Potomac. We have the ability--I mean, again, thank you all, shareholders for being on the call. You're what drives this Company and appreciate it.

Thank you.

Operator: Ladies and gentlemen, this does conclude today's conference. You may disconnect your lines at this time, and we thank you all for your participation.

Good day.