

**Intellicheck Mobilisa  
First Quarter 2015 Earnings Conference  
May-6-2015  
Confirmation #13606689**

Operator: Greetings and welcome to the Intellicheck Mobilisa First Quarter 2015 Earnings 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 conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Ms. Sharon Schultz, Strategic Communications Advisor for Intellicheck Mobilisa. Thank you, Ms. Schultz. You may now begin.

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Ms. Sharon Schultz: Thank you, operator. Good day, good afternoon, and welcome, everyone.

Thank you for joining us today for our 2015 First Quarter Conference Call to discuss Intellicheck Mobilisa's results for the first quarter, ending March 30th, 2015, and to discuss other business developments.

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

Before I do that, I'd like to take a few minutes to read the forward-looking statements. Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. When used in this conference call, words 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 are inherently susceptible to uncertainty and changes in circumstances, and the company is under no obligation to and

expressly disclaims any obligation to update or alter its forward-looking statements, whether as a result of such changes, new information, subsequent events or otherwise.

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

Management will use financial terms in today's call. Please refer to the company's press release issued this morning for further definition of and context for use of all terms.

I would also like to take a minute to review the rules of conduct for today's call. Only shareholders of record as of close of business on April 2nd, 2015, or their duly authorized proxies are entitled to address the meeting today. No one may address the meeting unless recognized by the Chairman. If you wish to be recognized, please make that known, and we will do so.

When recognized, please state your name and indicate whether you are an individual shareholder, a proxy holder or a representative of an organization holding shares and succinctly state any question or comment. All questions and comments must be directed to the Chairman or person indicated by the Chairman.

Each speaker is limited to a total of no more than three questions or comments, no more than one of which may be on any single topic, and each of which must be no more than one minute in length. Questions must be relevant to the meeting and pertinent to matters properly before the meeting. Questions may not be repetitious or deal with tangentially related general economic, political or other opinions or facts.

Please permit each speaker to conclude his or her remarks without interruption. The Chairman will stop speakers when they are out of order.

If there is any matter that is of individual concern to a shareholder and that is not an appropriate subject matter for general discussion, please defer discussion of such matter until after this call today.

No cameras, audio or video recording equipment, communication devices or other similar equipment may be used in this call. The Chairman of the meeting shall have the authority necessary to preside over this call and may take any and all determinations with respect to the conduct of the meeting and procedures to be followed during this call. Violation of these rules will be considered cause for expulsion from the call by the Chairman.

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Thank you, and now I will introduce you to Dr. William Roof, our CEO. Dr. Roof?

Dr. William Roof: Thank you, Sharon.

Good day, and welcome to the Intellicheck Mobilisa Q1 2015 Earnings Call. Today we will present corporate earnings information for the quarter ending 31 March, 2015. After the call, we will answer questions from shareholders.

Intellicheck Mobilisa's directors and officers present today are Admiral Mike Malone, Chairman, General Buck Bedard, Director, General Jack Davis, Director, Mr. Guy Smith, Director, Mr. Bill Georges, Director, Mr. Bill White, Chief Financial Officer, Mr. Russ Embry, Chief Technology Officer, Mr. Bob Williamson, Chief Revenue Officer, and myself.

Our Chief Financial Officer Bill White will now review the Q1 2015 financial results. Bill?

Mr. Bill White: Thank you, Bill, and a good day to our shareholders, guests and listeners. I'd like to discuss some of the financial information that was contained in our press release for the first quarter ending March 31st, 2015, which we released this morning. We anticipate that our quarterly report on Form 10-Q will be filed with the SEC this afternoon.

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Revenues for our first quarter ending March 31st, 2015, were 987,000 compared 1,092,000 for the previous year. Identity system revenues decreased 928,000 compared to 1,074,000, and wireless revenues increased to 59,000 compared to 18,000 last year.

Booked orders for the three months ending March 31st, 2015, were approximately 791,000 compared to 1,095,000 for the first quarter in 2014. Our gross profit was 595,000 for the quarter, or 60 percent of revenues, compared to 729,000, or 67 percent of revenues for the first quarter in 2014. The decrease in percentage is due to fewer defense ID system contracts.

Operating expenses, which consist of selling, general and administrative and research and development expenses increased to 1,922,000 from 1,639,000 last year. Adjusted EBITDA for the quarter ending March 31st, 2015, was negative 898,000 compared to a negative 710,000 in the same quarter last year. The company posted a net loss of 1,302,000 for the three months ended March 31st, 2015, compared to a net loss of 910,000 for the quarter ending March 31st, 2014.

As of March 31st, 2015, our backlog, which represents non-cancellable sales orders for products not yet shipped and services to be performed, was approximately 292,000 compared to 358,000 last year. Interest income and expense were negligible, and the company has a net operating loss carry-forward of approximately 44 million.

Now I'd like to focus on the company's liquidity and capital resources. As of March 31st, 2015, the company had cash and cash equivalents of 9.7 million, working capital, defined as current assets minus current liabilities, of 8.4 million, total assets of 22.2 million, and stockholders equity of 19.6 million.

During the three months ending March 31st, 2015, the company generated net cash of 6,768,000 compared to 2,446,000 for the three months ended March 31st, 2014. Cash used by operating activities was 707,000 in 2015 compared to 1,031,000 in 2014. We used cash of 154,000 in investing activities in 2015 compared to 11,000 in 2014, and we generated cash of 7,629,000 from financing activities in 2015 compared to 3,489,000 in 2014.

On January 14th, 2015, the company completed a public offering of 4,857,000 shares of common stock priced at \$1.75 per share. Net proceeds to the company from the offering before underwriting expenses was approximately 7,845,000.

During 2011, the company entered into a two year revolving credit facility with Silicon Valley Bank. In 2014, the company extended this line to October 15th, 2015. Maximum borrowing under this facility is \$2 million and are subject to certain limitations based on a percentage of

accounts receivable, as defined in the agreement, and are secured by substantially all of the company's assets.

At March 31st, 2015, there were no outstanding borrowings, and unused availability under the facility was 652,000. We currently anticipate that our available cash as well as expected cash from operations and available under the revolving credit facility 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 Dr. Roof.

Dr. William Roof: Thank you, Bill.

Today, we will report progress since our last report six weeks ago. We are making solid progress, and the entire Intellicheck team is extremely optimistic and energized about the company's future.

In Q4 2014, we set the company a strategic goal of market leadership with world class products and sustainable profitability. This goal drives all that we do each and every day. The September, November and March addresses to our shareholders focused on five main areas -



resources, markets, products, processes and intellectual property. At this point, we will describe our progress in each of these areas.

Resources - our new ITIL Certified Customer Support Manager is fully on board and making enhancements in our customer support processes. We are preparing to implement a service now infrastructure and look forward to developing customer support metrics that will form the baseline for continuous process improvement as we move forward.

To accelerate our product development in support of a quicker time to market, we hired a software development outsource firm that will support agile development processes, enhance product management, more detailed engineering documentation and provide engineering search for those times when we are required to provide quick turnaround software in support of revenue growth. We have entered into a detailed expense reduction evaluation stage with results and recommendations reported to the board earlier today.

Markets - we are strategically focused on market segments that will yield the highest returns, including retail, law enforcement, hospitality and defense. We are in discussions with a number of law enforcement agencies of all sizes and capabilities with a goal of rolling out our law enforcement ID product in support of a wide range of law enforcement missions.

We are in discussions with a number of alcohol control organizations, both private and governmental, to create partnerships that accelerate the rollout of our age identification product. We are in discussions with other vendors with a goal of integrating our core technology with their products to create new synergistic products that can bring increased value to customers throughout a number of markets.

We have engaged a world class market strategist at a marketing specialty firm to complete the rebranding plan we began implementing in Q1 2015. Shortly, we expect to unveil an entirely new look and brand, leading to the significant increase in market awareness.

Products - we have redesigned our age identification product and, just last week, celebrated the product's first use in a venue that serves alcohol. We have redesigned our law enforcement identification product, and it will be fully operational and ready to deploy this month.

We are currently developing specifications to upgrade and enhance other products to meet customer feature requirements and market demands. Since we last addressed the shareholders six weeks ago, our defense ID product is now protecting those who protect us throughout the Mississippi Valley with the United States Army Corp of Engineers.

Processes - we began implementing formal information technology infrastructure library, or ITIL customer support processes. ITIL is the worldwide standard for service management organizations. We cannot hope for recognition as a provider of world class products unless we have a world class customer support organization.

We are modernizing our infrastructure and have completed implementing our Microsoft 365 cloud conversion plan. Many of our customers require their information technology products to operate using modern efficient IT infrastructures. For our military, legislation is in place that requires this sort of modernization as it applies to data centers, cloud technology and server virtualization. We need to be able to say, yes, we can do that for you because we have done it for ourselves.

We have completed implementing our new Microsoft Dynamics Customer Relationship Management or CRM system. This critical tool energizes and empowers customer engagement with real time information and collaboration that will drive sales productivity, delivering superb customer experiences.

We are in the process of implementing Microsoft Dynamics GP and Enterprise Resource Planning Solution that will support greater control over finances and resource management and provide information at the level of detail we need to make critical business decisions.

Intellectual property - we have been working with two law firms interested in taking our infringement cases on a contingent basis. We are moving ahead with defense of your intellectual property.

It is important to connect this progress to our overall company strategy. In Q4 2014, when your executive team completed initial discovery and overall company appraisal, we identified an overarching go-forward strategy. Our strategy is to plan and implement a fundamental shift that transforms the company from its legacy operational performance and market position to that of the market leader for identity verification solutions, generating long term sustainable growth fueled by predictable recurring revenues. To do this, we must increase innovation, capability, efficiency and speed to market within our core competencies.

A key component of this transformation is our focus on high value activities, always with an eye toward maximum productivity. This fundamental shift is powerful and profound. Moving forward, we identified five pillar that support our strategy. These are to operate as efficiently and effectively as possible, to focus on developing our key competencies into world class products, to manage our product offerings with the goal of focusing on value and scalability to our customer base, to establish a position of market recognition and leadership based upon our

core competencies and world class products, and to define, implement and nurture a culture that supports this transformation.

During the first quarter of 2015, we put this strategy in place and began transforming our organization to support our objective of market leadership with long term and sustainable profitability. Over the past four months, we have begun launching products and services that our customers need and appreciate. We are excited and optimistic and believe the investments in resources and products, as noted above, have positioned us to deliver world class solutions to our customers with sustainable top and bottom line growth to our shareholders.

In summary, thank you for your attention today. We look forward with optimism and excitement to executing our strategy as we move the company forward.

Sharon will now begin the shareholder question and answer period.

Ms. Sharon Schultz: Thank you, Bill.

Thank you again for joining us today. We are now going to begin the question and answer period. You have heard the rules governing the call this rest of this afternoon. We'll begin with our first caller.

Operator: Thank you. And ladies and gentlemen, if you would like to ask a question, please press star, one now on your telephone keypad.

The first question is from John Bendall of JBC Partners. Please go ahead.

Mr. John Bendall: Yeah, good afternoon, guys. This is, I think, my 28th quarterly call, and if any of you have seen the film Groundhog Day, it sort of reminds me of what we go through every quarter. It sounds good, but implementing some of the strategies never seems to come out the way that we are led to believe.

What I'd like to propose, given the fact that we've had the Founder quit a quarter before he said that he was going to turn the company around and that the former President was--I think he was fired because he sold his stock at the high, and a very expensive public relations for almost eight years, I think we would like to see--and I'd like for people on this call to support me. I think we have a very good Board of Directors certainly, too, that will do the right thing.

But, given the fact that the cash, what we calculate as the carry forward, and the patents, we estimate the stock to be--company to be worth at least 3.50 a share. And what I would like to, after eight years or so as a holder and seeing a lot of dilution and this, that and whatever, I

would like for the Board to do what I think the right thing is and to look into having the company sold, again, given what is on your balance sheets and your patents, 3.50 to \$4 the stock would be worth.

And I'd like for you perhaps to, rather than say thank you for your comment, John, I'd like for you to say a little bit more why you haven't because we have not been given what I call any type, not only appreciation, but dilution and dilution. Once again, I applaud your Board. I think if it wasn't for two members of that Board, we might be in worse shape than we are.

So, if I sound disappointed, after eight years and seeing a high of adjusted for somewhere in the teens, I think shareholders have a right to get even. Thank you.

Mr. Mike Malone: Thank you, Mr. Bendall. This is Chairman Mike Malone. I appreciate your comments. I acknowledge your sense of direction for the company, and the Board will take it under advisement.

Mr. John Bendall: Thank you, General.

Operator: Thank you. And our next question is from Ryan Nelson of Special Situations Funds. Please go ahead.

Mr. Alex Silverman: Hi, it's actually Alex Silverman on for Ryan.

Bill, you walked through the update to--for the technology for a number of your end markets.

Wondering if you can give us a little more detail on what some of the new launches look like.

Dr. William Roof: Sure, Alex. The--we launched our age identification product that has been completely redesigned and rebuilt last Friday - new look and feel, higher level of software securities to keep the hackers out. And we're launching it through channel partners wherever possible. That's a little bit different than what we were doing before.

The Loft product will be launched fully operational this month. It is a complete redesign - new feature set, new interface, new capabilities to interface with different data sets that customers may want us to interface with that we haven't done before.

So, what you have essentially are two brand new products. They have a higher level of security, brand new interfaces that have customer input, say this is an interface we can use versus this is an interface we can't use. So, I hope that answers your question, Alex.



Mr. Alex Silverman: And your go to market there would be through both partners and through--both through partners and direct?

Dr. William Roof: Yes, we're going both routes, direct and through partners. We've got channel partners identified right now, and we're in discussions with them. And we feel optimistic that we're gonna be moving forward with some of these folks and as well as we have a seasoned and trained and experienced sales force right now who know how to close deals and know how to work with customers on the value propositions they expect.

So, we're very, very happy with the way things are going. We've been very busy over the last six months, and we think we're starting to see some real progress.

Mr. Alex Silverman: Can you walk us through a bit--you've obviously had to bring on--rebuild the sales force. What's the number of quota carrying today, and what's the plan in the relatively near to medium term?

Dr. William Roof: Alex, I've got Bob Williamson here, and I'm gonna ask Bob, who you've met before, to--.

Mr. Alex Silverman: --Sure.

Mr. Bob Williamson: Excuse me. Alex, hi, it's Bob. Thank you for your question. It's good to hear--excuse me--it's good to hear your voice again. Currently--I apologize. I've got a bit of a cold here--we've got four sales reps, very seasoned, very experienced, that are out selling directly. We will look to expand the sales team as we start to develop these other markets and get a little penetration in the retail sector more deeply than we are currently as well as the law enforcement sector.

So, as we go to market with the products that Bill just talked about that we're introducing, we've got the team in place that can get us there. But, as soon as we start to get some scale and some momentum, then we'll start to ramp from the team that we have currently.

Mr. Alex Silverman: Okay. And then, just to touch on retail, which you just mentioned, can you give us any further updates on how discussions are going with both new retailers as well as existing retailers for rolling out, you know, more doors?

Mr. Bob Williamson: Yeah, question. So, retail we think is a really big market, as we've talked about previously. We've had some great meetings over the last 120 days. We've been trailing around the country, talking not only to existing customers, but a number of potential new customers.

As you know, we've pivoted the company into a different pricing model, a software as a service model. We've actually gotten very good feedback, very strong feedback there. We also announced kind of our first new retailer under that relationship in Helzberg Diamonds.

And what I can tell you is, based on the product feature sets that we're developing now and our new approach, the comments and feedback so far are pretty encouraging, so we're very optimistic. And again, we expect the retail market to start to get some stronger traction later in this year and into 2016.

Mr. Alex Silverman: Great. Thank you very much.

Mr. Bob Williamson: You're welcome.

Operator: Thank you. The next question is from Dennis Van Zelfden of Brazos Research. Please go ahead.

Mr. Dennis Van Zelfden: Thank you. First off, just a quick follow up on the question just asked - I think you said you had four sales people. That doesn't seem like a lot. Are there any holes in the--in there?

Mr. Bob Williams: Yeah, so--this is Bob again. Great question. We don't think so. Currently, at this point in time, the way we've got the team organized geographically and by segment, we think we have more than sufficient coverage. And what we need to do is start to get real penetration into those markets. And once we start to do that and we're validating exactly the approach, the pricing models, the terms that are meaningful for these retailers and for those in the law enforcement space, then we'll start to add additional sales people.

As you might imagine, we've already built a bench, we've got a number of experienced professionals that we've known over the years that we continue to talk to and look to for potential additions to the team. But, we don't want to go add teams until we're really ready to start capturing the market because we don't want to incur expense unnecessarily.

Mr. Dennis Van Zelfden: Okay. I'll get to my main question then. I was wondering if someone there could give us an idea or to put into perspective the amount of business that is kind of sort of in the relatively near term pipeline. I don't mean like three years from now, but maybe in the next two years, so that we just have an idea of what you're working on in terms of dollars if you could. I mean, I've seen the slide shows, I've seen the addressable market, but something a little more narrower than that if you could.

Mr. Bob Williamson: This is Bob again. So, there--obviously, we don't do forward-looking projections. We continue to have our--the sales team that we just spoke about in the field working on new opportunities. We continue to expect that they'll grow the pipeline and the opportunities. And obviously, as we have wins, you'll hear more about those.

Mr. Dennis Van Zelfden: Okay. Well, one last question, again regarding to that - in terms of timing, rather than telling me how much you're gonna do or give a projection, would it be reasonable for us to see some meaningful growth this calendar year?

Dr. William Roof: I think it would be reasonable to see some measurable progress this calendar year, probably toward the end of the year real measurable progress and doing the things we say we're gonna do. You're gonna see new channel partners added, you're going to see new customers we expect and we anticipate that will be using our software as a service model. And so, the things that we said we're going to do we expect to see measurable progress on that this year.

Mr. Dennis Van Zelfden: Okay, thank you very much.

Operator: Thank you. The next question is from Kevin Grunich [sp], a private investor. Please go ahead.

Mr. Kevin Grunich: Thank you. Unlike Mr. Bendall, I--this is my first quarterly conference call, so if these questions seem like they're coming from a layperson, they are.

I see that your stock comp in Q1 went up dramatically, and that's not a surprise given all the new executives coming on. But, is that a run rate that you expect will persist going forward? Should we expect stock comp to be in the neighborhood of 350, \$400,000 this year?

Dr. William Roof: No, we don't expect to see that this year.

Mr. Kevin Grunich: It won't be that high?

Dr. William Roof: We don't expect that.

Mr. Kevin Grunich: Okay. And then, just a second question on the directors--and again, I defer to Mr. Bendall on how well a couple of the directors have performed. I note in the proxy--and this--you lost two directors obviously last year. But, if you would have had directors full time during the year, the bill for directors would have been, oh, in the \$400,000 plus, almost \$500,000 range for just cash. And if you throw stock rewards and options on top of that, it would be significantly more.

This is a big, big, big number for a small, small, small company. And I was just wondering, what's the history behind that, and is that something we should expect will persist?

Mr. Mike Malone: This is Chairman Mike Malone. The CFO is telling me--what's the number, 320?

Mr. Bill White: 320.

Mr. Mike Malone: Cash or total?

Mr. Bill White: Total.

Mr. Mike Malone: The total compensation for the directors is \$320,000. At the moment, the directors are taking one-half of their compensation in some form of equity, whether it be restricted stock, stock options, and one-half of their compensation in cash. The previous year, compensation was one-third cash and two-thirds equity. So, the directors are--have skin in the game, as well. I don't know what numbers you're quoting, but I--they're not the numbers that I understand.

Mr. Kevin Grunich: I would say that \$300,000 plus number may be accurate for last year if you count the fact that you lost two directors and they're not included in those numbers. But, those are--that's just a cash number. I would also note that, in looking at the proxy, it shows director ownership of the stock at 1.9 percent of total shares outstanding. Most of that is options or stock rewards. So, if you just strip those out, the director ownership would only be 0.6 percent. So, it--that doesn't seem consistent with having skin in the game.

I would say that I applaud the management for being aggressive these last several months. I think you've got an Everest to climb to relaunch this company. But, the proxy would point to a company that's run for its executives and directors, not the shareholders. And with two stock offerings the past year and more possible, given your \$25 million shelf registration, I think you should consider more shareholder friendly moves.

Mr. Mike Malone: Than you again for your comment. I can only reiterate that the annual total compensation for the five directors is \$320,000. The fact that we lost two directors last year does not affect that because we brought two more on at the same time. So, I would refer you all to our annual statement to validate the directors' fees.

Mr. Kevin Grunich: Okay. I would say read the proxy, and that number, even if it was 320, is very large for a company this size.



Mr. Mike Malone: Thank you very much for your comments.

Ms. Sharon Schultz: Thank you very much for joining us today on Intellicheck Mobilisa's First Quarter 2015 Earnings Call. This call does conclude at this time. Have a good afternoon. Thank you.

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