

**Operator:** Greetings, and welcome to the Intellicheck Mobilisa Fourth Quarter and Year End 2010 Results Conference Call.

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

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

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

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, James Carbonara, Investor Relations Group for Intellicheck Mobilisa.

Thank you, Mr. Carbonara. You may begin.

**Mr. James Carbonara:** Thank you very much and welcome, everyone.

Thank you for joining us today for our 2010 Fourth Quarter and End of Year Conference Call to discuss Intellicheck Mobilisa's results for the fiscal quarter ending December 31, 2010, and to discuss other business developments.

In a moment, I will call upon our CEO 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 moments to read through the forward-looking statements.

Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. When used in this conference call, words 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 Fourth Quarter and Fiscal Year 2010 Financial Results management, identify forward-looking statements within the meaning of Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of such changes, new information, subsequent events or otherwise.

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

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

**Dr. Nelson Ludlow:** Thanks, James. And I'd like to thank all the shareholders and investors for being on today's call.

Also with me on the call is Steve Williams, our Chief Operating Officer, uh, Pete Mundy, our Chief Financial Officer, and John Paxton, our Chairman of the Board. And, um, you just heard from James Carbonara, who's from the Investor Relations Group, our IR firm.

Okay. Today, let's discuss our fourth quarter and year-end results. For the year-end, the revenue is approximately 12.3 million, which is approximately the same compared to, uh, year-end revenue for 2009.

As you know, for most of 2010, we were defending ourselves in a lawsuit, so if you remove what we spent in that lawsuit, we closed the year at essentially a break-even basis on adjusted EBITDA.

Now, the Company is in a growth phase, investing in our sales force, R&D, new products. Our stated plan has been to run the Company close to a break-even, while we work on these tasks rather than, squeezing ourself too tight and stunting sales growth.

Specifically, in 2010, we leaned forward, and we hired more salespeople, additional senior business development people and needed scientists and engineers, which resulted in developing new technologies and increased our pipeline, by more than 50 percent.

In fourth quarter, we're starting to see some of those results. We generated approximately 3.1 million, which is an 18 percent increase over Q4 revenue for 2009.

Now, let's look at the revenue mix for the year, which is a better indicator than slicing it just by quarter-by-quarter. The wireless work is down somewhat in revenue. One of our subcontractors in the wireless project spent significantly less than we anticipated, which means we still have that money--that funding available to do additional work, but what it means is it didn't show up in the revenue.

Also, in 2009, we completed a one-time research and development contract on wireless or radio frequency hazard evaluation work, and that did not continue in 2010.

Now, let's look at the government ID work. That's up 7 percent. That's modest growth. Frankly, the government continues to buy products base-by-base, and the Pentagon has still yet to consolidate Defense Department-wide, and the Homeland Security Department is equally-- they have not done a department-wide procurement. So, we're still flogging it out, little by little.

Now, I am very encouraged, though, that the commercial ID work is up 18 percent over last year for the year. And this accounts, now, for over half of the Company's revenues or right at half.

We're on the early adopter side of this technology lifecycle curve for the driver's license reading in retail applications. They're used for safe credit card applications at the point of sale. They're used to validate identity when picking up controlled drugs at a pharmacy. They're used to thwart theft at merchandise return locations, and then they're used to get you through the line quicker, such as quickly entering your account information by scanning your driver's license when you buy that new iPhone at an AT&T store. We also continue to sell hardware and software to banks to validate ID cards when opening new bank accounts.

This is a trend that we expected. It's one we've stated on calls before. We expect to see the government ID grow a little, while the commercial group to grow much faster. In this case, it's growing three times faster.

Now, let me point out something for our shareholders. We began 2010 with announcing in a press release, a loyalty and marketing solutions provider that began pilot testing our ID-CHECK product to integrate in the retail clients' point of sale systems to automate that process of signing up for a store loyalty or credit card.

We closed this year by converting that pilot into a contract for an enterprise license, and that Company represents nearly 100 retail chains that employ the loyalty solution, credit card application services, and the deal was signed on December 30th of this year. End of 2010. Sorry.

We increased the strength of our intellectual property. We secured two additional patents. An indication of the strength that our patent came this past December when we jointly settled a federal antitrust and false advertising lawsuit.

The legal fees associated with defending our patents kept us from being on the positive side of EBITDA. However, all the claims in that lawsuit were dismissed with prejudice. They can never be brought up again. In connection with the settlement, neither party made a payment to the other, and we did a press release in December about that.

I want to talk on this call about new technology, the new products, answer questions and to give the shareholders and analysts a view of where the Company is headed for 2011 and 2012.

At this stage, though, let's have Pete Mundy, our CFO, present the Company's financials, and then I'll come back.

**Mr. Peter Mundy:** Okay. Thank you, Nelson. Good day.

I'd like to discuss some of the financial information that was contained in our press release for the year and fourth quarter ending December 31, 2010, which we put out this morning. Our complete Annual Report on Form 10-K will be filed with the SEC this afternoon.

For the fourth quarter, revenues for the fourth quarter ended December 31, 2010, increased 18 percent to \$3,047,000, compared to \$2,577,000 for the previous year. The identity system revenues increased 36 percent, principally as a result of a new enterprise license entered into with a leading loyalty and marketing solutions provider.

Wireless R&D revenues decreased by 11 percent, principally as a result of the completion of the RadHaz military contract, which expired at the end of 2009, as Nelson, explained earlier.

Total booked orders for the quarter were approximately 1.5 million in 2010, compared to \$1.7 million in 2009.

We still continue to maintain high gross profit margins. Our gross profit as a percent of revenues was 65.7 percent for the three months ending December 31, 2010, slightly higher than the 64.6, percent for the three months ended December 31, 2009, and the change is primarily due to a change in the product mix.

Operating expenses, which consist of selling, general administrative and research and development expenses, increased 20 percent to \$2,643,000 for the three months ended December 31, 2010, from \$2,208,000 for the three months ended December 31, 2009. And that increase in 2010 expenses is primarily related to new hires, increased payroll and related costs, legal fees related to contract review and litigation, and additional board and consulting fees.

Interest income was negligible. The interest expense of \$3,000 and \$10,000 in the fourth quarters of 2010 and 2009 represent the interest and the amortization of the deferred debt discount on the notes payable to the former principles of Positive Access.

We have not recorded a tax provision, due to the expected utilization of net operating loss carry-forwards, and we still have net operating loss carry-forwards of approximately 38.9 million as of December 31st, 2010.

Adjusted EBITDA for the quarter ending December 31, 2010, was negative \$254,000 compared to negative 194,000 in the quarter ending December 31, 2009.

Our net loss was \$642,000 or two cents per diluted share for the three months ended December 31, 2010, compared to the net loss of \$574,000, or two cents per diluted share, for the three months ending December 31, 2009.

Now, for the full-year results. For the year ending December 31, 2010, revenues decreased by 1 percent to \$12,292,000 from \$12,415,000 for the year ending December 31, 2009. This decrease is primarily related to lower wireless R&D revenues.

Our recurring revenue stream remains strong and represented 23 percent of the total revenues in 2010 and 24 percent in 2009.

Our gross profit percentage was 65 percent in both 2010 and 2009, and total operating expenses increased 23 percent to \$10,541,000 in 2010 compared to \$8,601,000 in 2009.

During 2010, we incurred approximately \$886,000 in non-recurring costs, including litigation costs, consulting fees to the former principles of Positive Access and costs associated with relocating and expanding our facilities.

As we've stated in previous conference calls, management's plan for 2010 included some increases in operating expenses to create and support additional revenue generation. We are continuing to monitor our cost structure, and we're in the process of making certain operating cost reductions for 2011.

In 2010, adjusted EBITDA was negative \$939,000, compared to a positive \$980,000 in 2009, and our net loss was \$2,573,000, or 10 cents per share in 2010, compared to a net loss of \$526,000, or 2 cents a share, in 2009.

At December 31, 2010, our backlog was approximately \$2.8 million compared to \$6.7 million at December 31, 2009. Previously, the Company recorded, in backlog, certain wireless R&D contracts when the award is announced or included in the congressional budget with the Company named as the requestor.

Management reduced the 2009 previously-stated backlog by 3.3 million. This was done because Congress announced that earmarks awarded to public companies in the FY 2010 are now subject to completion--uh, competition, even when the government would've determined that a sole-source justification was the best method of a contract award.

We will continue to compete for any funding associated with the Littoral Censor Grid Project, and the majority of the Company's backlog is related to multi-year wireless fan/buoy R&D contracts. A current \$2.8 million backlog is expected to be realized over the next 12 to 15 months.

For all of 2010, booked orders were \$8.4 million as compared to \$9 million in 2009.

Now, I'd like to focus on the Company's liquidity and capital resources. As of December 31, 2010, the Company had cash and cash equivalents of \$1,489,000, working capital, defined as current assets minus current liabilities, of \$1,174,000, total assets of \$23,974,000 and stockholders' equity of \$19,786,000. The Company did not utilize any bank financing during 2010.

During 2010, the Company decreased its cash and cash equivalents by approximately \$1.5 million, but it's important to note that, of this amount, approximately 1.2 million was used in 2010 for non-repeating items, including acquisition matters, moving of office facilities and litigation costs. A primary use of remaining cash was to fund working capital and to develop programs to generate increased sales.

Cash used in operating activities was \$1,150,000 in 2010 compared to cash provided by operating activities of \$320,000 in 2010. The increase in the use of cash in 2010 is primarily due to the funding of the net loss in 2010, as well as for increased working capital requirements, including higher accounts receivable due to significant sales at the end of the fourth quarter.

We used cash of \$275,000 in investing activities in 2010 compared to \$767,000 in 2009. That reduction in the use of cash for the 2010 period is primarily due to increased capital expenditures for leased old [sic] improvements and equipment purchases, while the 2009 period included initial cash paid for the purchase of Positive Access.

Cash used in financing activities was \$94,000 in 2010, compared to cash provided of \$54,000 in 2009, and in 2010, the scheduled repayments of \$400,000 were made to former Positive Access principles as part of the original purchase price, which was offset by \$252,000 worth of higher proceeds from the exercise of stock options in 2010 compared to 2009.

We currently anticipate that the available cash and cash equivalents, as well as the expected cash from operations, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. However, we always 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 the operating infrastructure, respond to competitive pressures or to acquire complementary businesses or necessary technologies. There can be no assurance that the Company will be able to secure the additional funds when needed or to obtain such funds on terms satisfactory to the Company, if at all.

We currently have an effective Shelf Registration Statement on Form S-3 with the Securities and Exchange Commission. Under the Shelf Registration Statement, the Company may offer and sell, from time to time in the future, in one or more public offerings, its common stock, preferred stock, warrants and/or units.

The initial-- 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 one-third of the market cap held by the non-affiliate shareholders in any 12-month period.

I'll now turn it back to Nelson.

**Dr. Nelson Ludlow:** Thanks, Pete. Okay.

At this point, I'd like to quickly take a look at some of the accomplishments that we did, over the year, particularly for some of the new analysts that are on the call. They set the stage for the Company going forward, and then I want to leave plenty of time for questions and a Q&A session.

Now, last year, we were awarded contracts by the joint-- Georgia Military base; Yuma, Army Proving Ground in Arizona; the California Marine Corps Base at 29 Palms;

Fort Leonard Wood in Missouri; Fort AP Hill in Virginia; Fort Jackson, South Carolina; the Port Authority in Houston; the Indiana National Guard.

We did live testing for the United States Navy at the December 7th events in Pearl Harbor, and we also were awarded a port in the United States that Homeland Security has asked us not to name the actual port but also bought equipment from us.

So, we've made the Fastest Growing Company List of companies headquartered in Washington State for the fifth year in a row. This year, we were the second fastest growing company. Of course, that's based on the last three years' performance.

We've been featured in the media this year on Canada's BNN, on U.S. CBS, NBC, Fox News, Wall Street Journal and onthestreet.com.

We received factory certification from a Company called Lenel, which is one of the largest access control door turnstile gate control companies, integrating our TWIC Reader into the port. One good example is we did this at the Port Authority of New York and New Jersey.

We've added additional layers of security by validating with a group called FiXs, the Federation of Identity and Cross-Credentialing Systems. And what's so important about that - that gives us a live interface for all military ID cards directly to the source, so if someone cancels a card, we'll immediately know about it. We can scan someone's ID card, pull up the photo of the person, that's actually registered with the U.S. Military.

We were very fortunate to have Woody McGee appointed to the Board of Directors. Woody McGee has an extremely strong background in financial work. He is-- was the CFO from Telxon, that was a very successful company that John Paxton and

Woody McGee grew and sold to Symbol, and Woody McGee is the Chair of our Audit Committee now.

Cliff Link was hired as a Senior Vice President for Homeland Security Solutions. Woody--or I mean--I'm sorry--Cliff Link was heavily involved in both the Secure Flight program and the TWIC program implementation. So--as well as an NCIS agent and both ran their IT group, as well as, was their CFO for a while.

So, he's been helping us, getting into Homeland Security programs and, as you know, this year, we established a Public Safety and Security Advisory Board.

Now, this is important. While the government was a key factor in our growth to date, there's no secret their decision to deploy new technology can be slow. If a specific government department wants one of our devices to be customized, that sale is not a repeatable one, which is not the ideal business model.

However, although the government has--isn't in that situation, there are 16,500 police departments in the U.S., so creating our Fugitive Finder product, we have a more generic product to offer law enforcement. New products cost less and can be sold in higher volumes than Defense ID, which was to the military bases, and that's what inspired us to go in that direction.

This year, we also sold to a Company called Rooms to Go, which is America's number one independent furniture retail-- retailer. We help them with a paperless solution, getting new accounts and secure credit card applications.

In Q1 of this year, we signed a deal with a leading mobile solutions retailer that has over 6,500 locations worldwide, and that's to read driver's licenses as a safety check when they sell cell phones.

What's very cool about this is we are going to be implementing a pay-per-swipe model in addition to the initial setup cost for checking for fraud. So, this customer does about over a million cell phone checks a month and, with a pay-per-swipe model, if implemented across the chain, could be a good win-win in providing the customer with the very best of services and protecting them from theft, as well as a good business model for us.

We've signed a partnership deal with a leading Company called MICROS, which is the world's leader in point of sale software, to innovate our driver's license reading capability into their products, particularly their hotel property management systems, and putting our driver's license capability as an add-on.

We've also been successfully testing our hotel products scan-in, which is to add a box that'll read both the credit card and the driver's license in the one box, speeding up and simplifying the check-in process at hotels.

We've continued to increase our bank products. Fiserv, headquartered out of Omaha, Nebraska, is a very good partner who is a leader in providing products to banks, and they use our product to help people get new bank accounts.

And we're continuing to sell products into AT&T, and we still continue to give them new equipment and support as they roll our driver's license reading product across the United States into their stores.

We've developed innovative new technology, and it's in the initial stages of what I'd call leaving the research and technology demonstration phase and now into a product development stage. And these are a big deal, and I want to share three of them with you right now.

First is our continued look into public safety tools. If you asked someone, “Where do I have to show a driver’s license?” An obvious one is, “I was pulled over by a police car, and I need to show an ID card.”

Well, as a leader in software for mobile devices, we have started porting our software from our Defense ID and Fugitive Finder product in handheld computers that can scan an ID and see if you're a bad guy and placing that on an in-dash computer inside of police cruisers.

So, instead of the officer taking your ID back to the vehicle to hand-enter in to a mounted laptop, our software will be running on mobile devices, as well as this in-dash computer in the police cruiser. Our software will run on that in-dash computer, electronically scan your ID, making it quicker, less errors than having the cop fat-finger it in, and giving more room in the vehicle for other safety equipment.

We’ve had some initial discussions with people and there's--what's nice about this is there's a few key players in this market, and we are trying to partner with them, as I think this is really going to be the way of the future of how police cruisers operate.

Second, our hardware and software add-ons to cell phones to be able to read a driver’s license directly. Now, that’s a very big deal. So, what we’re saying is we’re working on technology to scan a driver’s license directly from your cell phone.

Previously, our products were coupled with high-end bar code scanners. Providing our capability on a less expensive and, clearly, more ubiquitous platform offers a business model of a lower price, higher volume approach.

We previously could not go after that group. This model would be linked with well-known business partners to make that an attractable approach.

Now, the third one, and this is probably the most impressive to me, is our demonstration of using cloud computing. So, what that is is we've successfully built a technology to provide our patented driver's license reading capability and place it on server farms across the United States, allowing any Company to be able to scan the driver's license with a cheap, inexpensive camera or low-end bar code scanner, be able to send us that data, and then we'd be able to send the answer back.

So, we have some retailers out there who are sold on the idea of purchasing our software to read the driver's license, to apply for a credit card safer, to prevent theft, to prevent fraud, to be able to help them with some application.

They're okay with paying for our software, but what they're not okay on is absorbing the hardware cost of buying new, upgraded bar code scanners--two-dimensional bar code scanners and placing them throughout their entire national chain at every point-of-sale position. If we can provide them the exact same capability without needing to buy that new, expensive hardware, that makes us in a much more attractive situation.

Let me talk a little bit more why cloud computing is such a great idea. It has significant less expenses from the customer support point of view. Customer--we don't need to go out to their site. We won't need to go touch every military base and give them the latest new update in software or to work with our customers and our retailers and have to push that out.

Rather, that information will be scanned, go to our servers that would always have the latest updated new version of driver's license software, so no need for them to worry

about what version of software they have, cuts down on their costs, may--cuts down on our cost and makes it a much more manageable situation.

So, we clearly have a disruptive technology, I'm using that, in a good sense. It is a new way of doing things, whether you're going to your rental car, whether you're checking your ID at a bar, whether you're getting on an airplane, whether you're going onto a military base or applying for a credit card safely, more and more of these locations are going to start to have Intellicheck's technology.

Now, we're still at the beginning stages of this, so we're only at a few of the retailers. There are still many, many more to go. We're going after new markets. We're creating new technologies. It's the right thing to do. We have a lot of room to grow, before driver's license reading applications are spread throughout day-to-day life.

Now, these applications will be either developed by us as a Company directly or our technology in software will be licensed to someone else as an innovative application. And we have done that and made partnerships with people and signed licenses and helped them assist the applications so that it is Intellicheck Mobilisa's software inside the application. We already have well over 100 licenses of our software included into other products.

Now, to mention to the other companies that do driver's license scanning that violates our patents, we're searching for you, and we are searching for these infringers. Our intellectual property portfolio, right now, is 13 patents and 11 pending, and we're growing that. We take intellectual property seriously. It is the key and the heart to our Company, and we're going to keep-- continuing what we're doing on that path.

So, I'm very optimistic. When you look at the big picture, our pipeline is bigger. Our products are being used at the country's most secure locations. More and more of the major retailers are using our products: banks, cell phone companies, and many more locations than our first marquis customer of Target which, until a few years ago, was really the one major win the Company had. Today, we're at more and more of the tier one retailers, and this is just the tip of the iceberg.

Okay. I'm about to take some questions and answers, but before I hand it over to the operator to do that, I received a couple written questions, and I'd like to just address those right now.

One of the written questions was that the backlog had dropped, and they wanted to understand why.

Backlog and new bookings are clearly linked, so we did have a drop. For 2010, the book orders were 8.2 million compared to 9 million in 2009. However, usually, we had received a tranche of funding in the wireless area between three to \$4 million a year. Management--we decided to remove that from our backlog, given the change in congressional work, as a direct result of congressional earmarks.

We're still going to go after that money. We still believe that we're the strongest contender to win that program. With the changes of that, it has caused the government to shift things to the right.

We believe the funding is still there. We believe that we can still get that, but what it did was it shifted a '010 to '09 comparison, so the contract for the '010 funding from the government has not been released or is not a request for proposal to this date. So, it hasn't even been out yet, so obviously, we couldn't even compete to win it yet.

So, doing a lineup-to-lineup, you actually need to add--if you're comparing last year, we would've had an additional, let's say \$3 and-a-half million in that. So, in that sense, we actually brought in much more new work in other areas from outside the wireless that we previously had.

Cash burn--cash is down from FY '09. That is correct. The big picture here is, we tried to grow the Company on a near break-even. We had a lawsuit, which did cost us some funding.

We also increased our costs by hiring some new people, some new engineers, some senior business development people, and it's just starting to kick in. So, you see an 18 percent growth for Q4, so we are starting to see some of it.

Any time you spend funds, go after new ideas, that's a good thing to do. However, not all of them work. And so, we are doing some cost reductions. I've identified, at a recent Board meeting, approximately \$1.2 million of costs that we can cut out without any severe impact to revenue, we believe.

We've already implemented approximately \$750,000 of those changes here in Q1, and that's--by that number, I mean, annualized over a year, about 750,000 savings on an annualized basis.

So, don't expect, really, to see a huge change in costs when we report our Q1 numbers, but do expect to start to see those numbers kicking in in the Q2.

Another question is, "Are we going to do an external capital raise?" We do have a shelf in place. We put it in place last summer. I think there was a lot of concern, right at that time, that we--the very next week, we were going to go out and raise money. We didn't.

Yes, our cash is approximately \$1.5 million, and I can have Pete comment on the exact numbers on this. But, it's approximately 1.5 million, which is down. However, accounts receivable, at the same time, is up about 700,000, so you've got to balance that out - that it--whenever you take a new snapshot--in fact, when you have a quarter of growth, you tend to bring in-- get new invoices, and you're starting to do more work, but they haven't paid you yet. So, that's not an unusual situation. So, having the accounts receivable up is good.

Back to the capital raise, we keep open the option to do that. My preference is to grow the Company out of that by doing two things: grow top line and the cuts that I've already mentioned would be preferable.

If we need to do a capital raise, we will. The primary reason for doing a capital raise is M&As. If we see another small Company that we understand, that we believe is, a creative deal as--and more particularly, fits into what we do in reading ID cards, driver's licenses and that, an aspect like what we did with Positive Access, and it makes sense, we do want to go after that. We do want to grow the Company.

And at that time, we would make presentations to the shareholders, and we would do a raise of funds to do one of those acquisitions. We're not announcing that, but shareholders should not be surprised the Company is actively looking at M&As.

Another question regarding buoy trials. Yes, we've had some major success on the buoys. One of the things that we have done is we put a buoy out on the Potomac River, through a request of the United States Navy, that's in coordination with the Coast Guard and Homeland Security.

So, the Capitol Region is now being protected from dirty bombs, by one of our, research and development buoys. It's been going well and, just a couple days ago, San Diego television did a news story, which is now posted on our Website and-- or it's about to be posted on our Website, and we'll point that out for shareholders. There's a very cool link showing the--and the buoy that they actually filmed and showed was the one in Washington, D.C. That project is going very well.

Next question: "Is federal and state budgets impacting new contracts?" I would say "somewhat," and here's why. The government's never been a very good customer. The government is disorganized. They don't understand each group does their own thing.

An example is, we have four military services, but there is arguing inside of each one of those military services, much less having a coordinated Pentagon response.

Let me combine that with two other questions right after that. Senator Schumer's news conference in June, letter to Department of Homeland Security--what's the follow-up on that in TSA? What's the status on that? So, let me combine all those, because that is a government customer.

Senator Schumer wisely pointed out some of the holes that go on in getting on an airplane. I think some of the shareholders responded in stock price, when there was things like underwear bomber and when there was a Times Square bomber.

And the reason why? Our product could catch those guys. It's been no secret in the news, there's been a lot of problems recently with a complementary product, which is a full body scanner which tries to catch the bomb. A lot of people are very unhappy with these new pat-downs. It's been in the news.

We keep advocating, and I still strongly believe the right approach is to do a blended approach. Both find the bomber and find the bomb. We're an outstanding, logical approach to finding the bomber, and we continue to keep pushing on that aspect.

In addition to Senator Schumer, three other senators also wrote letters to Secretary Napolitano advocating the exact same thing.

The response was, at the time--is that the government TSA was going to issue a contract called CATBPSS, which stands for Credentialing Authentication Technology Boarding Pass Screening Selection. And it just--essentially, here's what it does: is it a fake ID? And is it matching the ID to the boarding pass?

Well, we submitted information. We were selected as one of the finalists. We believe there's only a handful of finalists. However, the government did not publicly announce how many there were, but we believe it's just a handful.

Whether the--we are the-- one of the ones they select or not, our technology should be inside of that, reading the ID card. What's interesting, if you note, is one of the patents that was recently issued is a patent that talks specifically about matching a boarding pass to a driver's license or a passport. So, not only do we have the patents on how to read driver's licenses, we also have a patent on how to compare those two.

Two days ago--two business days ago, TSA cancelled that contract, so they're not moving in the right direction. I'm just being blunt about that. It doesn't mean they're not going to reissue it. They had some-- our understanding is there may be some internal reasons for doing it, but I want shareholders to know the government is slow to make these decisions.

Now, even with that, our government work is still up 7 percent. We're pushing on TWIC ports, the seaports and we're starting to see some more sales in that. But, really, what I'm most excited about is three times the amount of growth on our commercial side.

We're a Company that does not put all our eggs in the government basket. And as you'll see this year, as we close '010 out, 49 point something percent of our revenue was generated by commercial work. So, if the government is having false starts on things, yeah, it does affect our revenue, but it certainly doesn't crush our Company, because we're going in other directions.

A question regarding the sales of stock by Bonnie Ludlow, on rights to call to the COO, and others, expires this month. Yes, it does expire this month, and I believe all of those call rights either--they either will be implemented by this month or they will expire by this month. So-- okay.

I don't have any other written questions, so at this time, I'll hand it over to the operator.

**Operator:** Thank you.

We will now be conducting the question-and-answer session.

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

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

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

One moment, please, while we poll for questions.

Thank you.

Our first question is from Elliot Knight with Knight Advisors.

Please proceed with your question.

**Mr. Elliot Knight:** Good afternoon.

To follow up on the stock option question, you said this month, March. I have in mind that the exact date is March 14th. Am I correct?

**Dr. Nelson Ludlow:** Yes, Elliot. You are correct. The call options expire on March 14th, I believe. There may be one that is in the process of happening, and the transaction is being initiated by March 14<sup>th</sup>, and a Form 4 may go out shortly thereafter. But, it would be within just a matter of days.

So, if you see a Form 4 slightly after March 14th, don't be surprised. And that's why the question that I was--that was sent to me said that month, and that's why I chose to--so, yes, it is correct. That month. But, you are absolutely correct. They expire March 14th.

**Mr. Elliot Knight:** Thank you very much.

**Operator:** As a reminder, ladies and gentlemen, if you would like to ask a question, press star, one on your telephone keypad.

If you are using a speakerphone, you may need to pick up the handset before pressing the star keys.

Dr. Ludlow, there are no questions at this time.

I would now like to turn the floor back to you for closing comments.

**Dr. Nelson Ludlow:** Okay.

I was going to give it another minute, here, to see--if someone does jump back in the queue within the next minute, let me know, and I'll be happy to take that question.

Let me just recap that we are making some-- some reductions in costs. Most of all, we're trying to grow top line. We had some success in Q4. We grew that.

We were very pleased to announce, in Q1, the trial of a major cell phone provider and implementing fraud prevention for them under a new pay-per-swipe model. We're very excited about this.

And just to recap, the three new technologies of putting in-dash computing for public safety vehicles, for doing--scanning driver's licenses on a cell phone and, most of all, adding cloud computing capability so that we can be able to offer our products to many, many more retailers without them having to buy expensive hardware to be able to use the advantages of reading driver's license, are three very good new technologies that our Company has developed over this last year.

And we are also, over the next few days, going to be meeting with several shareholders. I am presenting at the ROTH Conference in Dana Point, Los Angeles next week.

I have a team on the East Coast in Manhattan. Steve Williams is in Manhattan right now and is going to be meeting with investors, and I'll be meeting with West Coast investors.

If you have an investment group or if you are an institutional investor and you want more information, please contact the Investor Relations Group, and James Carbonara will arrange for Steve Williams, our COO, or myself, to speak with you directly.

We're excited about this Company. We've got a lot of good things to say. And when you drill in and find out about it, I think you'll agree, this is a good investment, and it's got a lot of potential upside.

So, we want to make sure we're getting the information to you, and we will have another conference call in a few weeks to talk to you about the Q1 results.

Thank you.

**Operator:** Ladies and gentlemen, this does conclude today's teleconference.

You may disconnect your lines at this time.

Thank you for your participation.