

Intellicheck Mobilisa, Inc.  
Form 10-Q  
August 14, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE  
ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.: 001-15465

**Intellicheck Mobilisa, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization) 11-3234779  
(I.R.S. Employer  
Identification No.)

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191 Otto Street, Port Townsend, WA 98368  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (360) 344-3233

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at August 13, 2015
Common Stock, \$.001 par value	9,854,741



**INTELLICHECK MOBILISA, INC.**

**Index**

	Page
<u>Part I - Financial Information</u>	
Item 1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets – June 30, 2015 (Unaudited) and December 31, 2014</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014 (Unaudited)</u>	4
<u>Consolidated Statement of Stockholders’ Equity for the six months ended June 30, 2015 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014 (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4. <u>Controls and Procedures</u>	22
<u>Part II - Other Information</u>	
Item 1. <u>Legal Proceedings</u>	23
Item 1A. <u>Risk Factors</u>	23
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
Item 3. <u>Defaults Upon Senior Securities</u>	23
Item 4. <u>Mine Safety Disclosures</u>	23
Item 5. <u>Other Information</u>	23
Item 6. <u>Exhibits</u>	23
<u>Signatures</u>	24

Exhibits

- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
- 32 18 U.S.C. Section 1350 Certifications
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

**PART I – FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****INTELLICHECK MOBILISA, INC.****CONSOLIDATED BALANCE SHEETS**

	June 30, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$7,903,548	\$2,966,350
Accounts receivable, net of allowance of \$49,613 and \$78,724 as of June 30, 2015 and December 31, 2014, respectively	1,705,593	792,072
Inventory	135,115	115,021
Other current assets	223,958	108,884
Total current assets	9,968,214	3,982,327
<b>PROPERTY AND EQUIPMENT, net</b>	<b>383,006</b>	<b>346,915</b>
<b>GOODWILL</b>	<b>8,101,661</b>	<b>8,101,661</b>
<b>INTANGIBLE ASSETS, net</b>	<b>2,928,590</b>	<b>3,307,797</b>
<b>OTHER ASSETS</b>	<b>62,800</b>	<b>75,007</b>
<b>Total assets</b>	<b>\$21,444,271</b>	<b>\$15,813,707</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$816,632	\$45,193
Accrued expenses	683,713	915,809
Deferred revenue, current portion	923,075	1,141,069
Total current liabilities	2,423,420	2,102,071
<b>OTHER LIABILITIES</b>		
Deferred revenue, long-term portion	348,567	435,153
Deferred rent	115,407	128,446
Note payable, net of current portion	23,304	-
Total liabilities	2,910,698	2,665,670

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Common stock - \$.001 par value; 40,000,000 shares authorized; 9,836,262 and 4,934,601 shares issued and outstanding, respectively	9,836	4,934
Additional paid-in capital	114,339,617	106,442,897
Accumulated deficit	(95,815,880 )	(93,299,794 )
Total stockholders' equity	18,533,573	13,148,037
Total liabilities and stockholders' equity	\$21,444,271	\$15,813,707

See accompanying notes to consolidated financial statements

**INTELLICHECK MOBILISA, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
REVENUES	\$ 2,291,570	\$ 1,197,041	\$ 3,278,697	\$ 2,289,090
COST OF REVENUES	(1,250,746)	(447,812 )	(1,642,908)	(810,458 )
Gross profit	1,040,824	749,229	1,635,789	1,478,632
<b>OPERATING EXPENSES</b>				
Selling	308,197	410,116	541,550	708,171
General and administrative	1,270,058	996,731	2,462,995	1,907,384
Research and development	680,815	443,831	1,176,753	874,354
Total operating expenses	2,259,070	1,850,678	4,181,298	3,489,909
Loss from operations	(1,218,246)	(1,101,449)	(2,545,509)	(2,011,277)
<b>OTHER INCOME (EXPENSE)</b>				
Interest and other income	4,829	382	32,158	605
Interest expense	(556 )	0	(2,735 )	(79 )
Net loss	\$ (1,213,973)	\$ (1,101,067)	\$ (2,516,086)	\$ (2,010,751)
<b>PER SHARE INFORMATION</b>				
Loss per common share -				
Basic	\$ (0.12 )	\$ (0.22 )	\$ (0.27 )	\$ (0.43 )
Diluted	\$ (0.12 )	\$ (0.22 )	\$ (0.27 )	\$ (0.43 )
Weighted average common shares used in computing per share amounts -				
Basic	9,835,927	4,900,330	9,448,777	4,667,255
Diluted	9,835,927	4,900,330	9,448,777	4,667,255

See accompanying notes to consolidated financial statements



**INTELLICHECK MOBILISA, INC.****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

For the six months ended June 30, 2015

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE, January 1, 2015	4,934,601	\$ 4,934	\$ 106,442,897	\$(93,299,794)	\$ 13,148,037
Stock-based compensation expense	-	-	267,408	-	267,408
Issuance of common stock, net of costs	4,857,143	4,857	7,625,900	-	7,630,757
Exercise of stock options	313	1	3,456	-	3,457
Vesting of restricted stock	44,205	44	(44 )	-	-
Net loss	-	-	-	(2,516,086 )	(2,516,086 )
BALANCE, June 30, 2015	9,836,262	\$ 9,836	\$ 114,339,617	\$(95,815,880)	\$ 18,533,573

See accompanying notes to consolidated financial statements

**INTELLICHECK MOBILISA, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Six Months Ended June	
	30,	2014
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(2,516,086)	\$(2,010,751)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	571,023	343,794
Noncash stock-based compensation expense	267,408	4,581
Deferred rent	(13,039 )	(23,731 )
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(913,521 )	369,713
(Increase) in inventory	(20,094 )	(34,924 )
(Increase) Decrease in other current assets	(112,595 )	2,166
Decrease in other assets	12,207	-
Increase (Decrease) in accounts payable, accrued expenses	534,033	(421,451 )
(Decrease) Increase in deferred revenue	(304,580 )	127,840
Net cash used in operating activities	(2,495,244)	(1,642,763)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of patents	(125,000 )	-
Purchases of property and equipment	(71,828 )	(63,170 )
Net cash used in investing activities	(196,828 )	(63,170 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	7,630,757	5,247,324
Net proceeds from issuance of common stock from exercise of stock options	977	-
Payments on note payable	(2,464 )	-
Net cash provided by financing activities	7,629,270	5,247,324
Net increase in cash and cash equivalents	4,937,198	3,541,391
CASH AND CASH EQUIVALENTS, beginning of period	2,966,350	224,386
CASH AND CASH EQUIVALENTS, end of period	\$7,903,548	\$3,765,777
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Financing of property and equipment	\$31,078	\$-

See accompanying notes to consolidated financial statements

6

**INTELLICHECK MOBILISA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

1. NATURE OF BUSINESS

Business

Intellicheck Mobilisa is a leading technology company providing wireless technology and identity systems for various applications, including mobile and handheld access control and security systems for the government, military and commercial markets. Products include the Fugitive Finder™ system, an advanced ID card access control product currently protecting military bases and secure federal locations; ID Check®, a patented technology that instantly reads, analyzes, and verifies encoded data in magnetic stripes and barcodes on government-issued IDs, designed to improve the Customer Experience for the financial, hospitality and retail sectors; barZapp™, an ID-checking mobile app that allows a user's smartphone to check an ID card. Wireless products include enterprise wireless system installation in rural areas of the country.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mobilisa, Inc. ("Mobilisa") and Positive Access Corporation ("Positive Access"). All intercompany balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at June 30, 2015 and the results of its operations for the six months ended June 30, 2015 and 2014, stockholders' equity for the six months ended June 30, 2015 and cash flows for the six months ended June 30, 2015 and 2014. All such adjustments are of a normal and recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the six month period ended June 30, 2015, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2015.

The balance sheet as of December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements.

References in this Quarterly Report on Form 10-Q to "authoritative guidance" is to the Accounting Standards Codification issued by the Financial Accounting Standards Board ("FASB").

For further information, refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

### Recent Accounting Pronouncements

In May 2014, the FASB issued a new standard on revenue recognition which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance was to have been effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. On July 9, 2015, the FASB decided to defer the effective date of the standard by one year which will make the guidance effective for the Company beginning in the first quarter of 2018. Early adoption is permitted beginning in the first quarter of 2017 for public companies. The Company is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2014-14 on the consolidated financial statements and disclosures.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* ("ASU 2015-11") which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

### Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment of goodwill, valuation of intangible assets, deferred tax valuation allowances, and the fair value of stock options granted under the Company's stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less when purchased. There were no cash equivalents held on June 30, 2015 and December 31, 2014.

#### Allowance for Doubtful Accounts

The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions and other factors that may affect customers' ability to pay.

#### Inventory

Inventory is stated at the lower of cost or market and cost is determined using the first-in, first-out method. Inventory is primarily comprised of finished goods.

### Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net assets acquired in business combinations. Pursuant to ASC Topic 350, the Company tests goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under guidance, the Company first assessed qualitative factors to determine whether it was necessary to perform the two-step quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price. Refer to Note 3 for further discussion of the goodwill impairment test performed by the Company as of June 30, 2015.

### Intangible Assets

Intangible assets include primarily trade names, patents and customer relationships. The Company uses the straight line method to amortize these assets over their estimated useful lives. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable in accordance with ASC Topic 360. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. There were no impairment charges recognized during the six months ended June 30, 2015 and 2014.

### Income Taxes

The Company accounts for income taxes under in accordance with ASC Topic 740, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using expected tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company has recorded a full valuation allowance for its net deferred tax assets as of June 30, 2015 and December 31, 2014, due to the uncertainty of the realizability of those assets.

### Financial Instruments



The Company adheres to the provisions of ASC Topic 820, which requires that the Company to calculate the fair value of financial instruments and include this additional information in the notes to financial statements when the fair value is different than the book value of those financial instruments. The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. At June 30, 2015 and December 31, 2014, the carrying value of the Company's financial instruments approximated fair value, due to their short-term nature.

#### Revenue Recognition and Deferred Revenue

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is probable, and there is no future Company involvement or commitment. The Company sells its commercial products directly through its sales force and through distributors. Revenue from direct sales of products is recognized when shipped to the customer and title has passed.

Under the provisions of ASC Topic 605-25, "Revenue Arrangements with Multiple Deliverables," for multi-element arrangements that include tangible products containing software essential to the tangible product's functionality and undelivered software elements relating to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

The Company also recognizes revenues from licensing of its patented software to customers. The licensed software requires continuing service or post contractual customer support and performance; accordingly, a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one to three years. Royalties from the licensing of the Company's technology are recognized as revenues in the period they are earned.

The Company also performs consulting work for other companies. These services are billed based on time and materials. Revenue from these arrangements is also recognized as time is spent on the contract and materials are purchased.

Subscriptions to database information can be purchased for month-to-month, one, two, and three year periods. Revenue from subscriptions are deferred and recognized over the contractual period, which is typically three years.

The Company offers enhanced extended warranties for its sales of hardware and software at a set price. The revenue from these sales are deferred and recognized on a straight-line basis over the contractual period, which is typically one to four years.

#### Business Concentrations and Credit Risk

During the three and six month periods ended June 30, 2015, the Company made sales to one customer that accounted for approximately 45% and 33% of total revenues, respectively. The revenue was associated with a commercial identity sales customer. This customer represented 55% of total accounts receivable at June 30, 2015. During the three month period ended June 30, 2014, the Company made sales to three customers that accounted for approximately 11%, 14% and 13% of total revenues and one customer for the six months ended June 30, 2014 that accounted for 14% of total revenue. The revenue was associated with a Commercial ID Check, Defense ID and Wireless sales for the three months ended and Commercial ID check for the six months ended June 30, 2014.

#### Net Loss Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and restricted stock is reflected in diluted earnings per share by application of the treasury stock method. The calculation of diluted net loss per share excludes all

anti-dilutive shares.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Numerator:				
Net loss	\$(1,213,973)	\$(1,101,067)	\$(2,516,086)	\$(2,010,751)
Denominator:				
Weighted average common shares – basic	9,835,927	4,900,330	9,448,777	4,667,255
Dilutive effect of equity incentive plans	-	-	-	-
Weighted average common shares – diluted	9,835,927	4,900,330	9,448,777	4,667,255
Net loss per share-				
Basic	\$ (0.12	) \$ (0.22	) \$ (0.27	) \$ (0.43
Diluted	\$ (0.12	) \$ (0.22	) \$ (0.27	) \$ (0.43

The following table summarizes the common stock equivalents excluded from loss per diluted share because their effect would be anti-dilutive:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2015</b>	<b>2014</b>	<b>June 30, 2015</b>	<b>2014</b>
Warrants	64,981	63,364	64,981	52,274
Restricted Stock	55,280	-	55,280	-
Stock options	371,048	37,436	371,048	37,436
	491,309	100,800	491,309	89,710

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

### 3. INTANGIBLE ASSETS AND GOODWILL

The changes in the carrying amount of intangible assets for six months ended June 30, 2015 were as follows:

Balance at December 31, 2014	\$3,307,797
Addition: Acquisition of patent	125,000
Deduction: Amortization expense	(504,207 )
Balance at June 30, 2015	\$2,928,590

The following summarizes amortization of intangible assets included in the statement of operations:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2015</b>	<b>2014</b>	<b>June 30, 2015</b>	<b>2014</b>
Cost of sales	\$59,163	\$59,163	\$229,735	\$183,191
General and administrative	138,520	33,952	274,472	67,904
	\$197,683	\$93,115	\$504,207	\$251,095

As a result of a decline in the Company's stock price during the second quarter of 2015, the Company concluded that this development was deemed a "triggering" event requiring that goodwill be tested for impairment as of June 30, 2015.

The carrying amount of the Company's goodwill was \$8,101,661 as of June 30, 2015 and December 31, 2014. The Company performed the first step of the goodwill impairment test as of June 30, 2015 in order to identify potential impairment by comparing its fair value to its carrying amount, including goodwill. The fair value was determined using certain valuation techniques, including a discounted cash flow analysis and an estimation of an implied control premium, in addition to the Company's market capitalization on the measurement date. The implied control premium selected was developed based on certain observable market data of comparable companies. The market capitalization is sensitive to the volatility of the Company's stock price. Based upon the first step of the goodwill impairment test performed as of June 30, 2015, the Company determined that the fair value of the reporting unit was in excess of its carrying amount by approximately 21% and therefore the second step of the goodwill impairment test was not required.

4. DEBT

Revolving Line of Credit

The Company entered into a revolving credit facility with Silicon Valley Bank. On October 15, 2014, this facility was renewed for an additional year through October 15, 2015. The maximum borrowing under the facility is \$2 million. Borrowings under the facility are subject to certain limitations based on a percentage of accounts receivable, as defined in the agreement, and are secured by all of the Company's assets. The facility bears interest at a rate of U.S. prime (3.25% at June 30, 2015) plus 1.25% - 1.75%, depending on the Company's cash plus availability. Interest is payable monthly and the principal is due upon maturity on October 15, 2015. At June 30, 2015, there were no amounts outstanding, and unused availability under the facility was approximately \$358,000.

The facility contains a tangible net worth covenant requiring that, as of each monthly reporting, total assets minus intangible assets minus capitalized software development costs minus total liabilities plus subordinated debt is at least equal to \$1,948,400, starting October 15, 2014, and increasing immediately by 50% for new debt or equity received and 50% of quarterly net income (with no reduction for losses).

Note Payable

In January 2015, the Company financed \$31,000 of the purchase of a vehicle under a term loan agreement with an auto financing company. Under the terms of the agreement, the annual interest rate is 9.74% and monthly payments of approximately \$659 consisting of principal and interest is required over a 60 month term which matures in December 2019.

5. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Professional fees	\$ 106,106	\$ 92,103
Non-compete agreement	165,000	417,500

Payroll and related	365,311	309,348
Other	47,296	96,858
	\$683,713	\$915,809

## 6. INCOME TAXES

As of December 31, 2014, the Company had net operating loss carryforwards (NOL's) for federal and New York state income tax purposes of approximately \$42.9 million. There can be no assurance that the Company will realize any benefit of the NOL's. The federal and New York state NOL's are available to offset future taxable income and expire from 2018 through 2030 if not utilized. Under Section 382 of the Internal Revenue Code, these NOL's may be limited due to ownership changes. The Company has not yet completed its review to determine whether or not these NOL's will be limited under Section 382 of the Internal Revenue Code.

The Company has recorded a full valuation allowance against its net deferred assets since management believes that it is more likely than not that these assets will not be realized.

The effective tax rate for the six months ended June 30, 2015 and 2014 is different from the tax benefit that would result from applying the statutory tax rates primarily due to the recognition of valuation allowances.

## 7. SHARE BASED COMPENSATION

The Company accounts for the issuance of equity awards to employees in accordance with ASC Topic 718 and 505, which requires that the cost resulting from all share based payment transactions be recognized in the financial statements. These pronouncements establish fair value as the measurement objective in accounting for share based payment arrangements and requires all companies to apply a fair value based measurement method in accounting for all share based payment transactions with employees.

All stock-based compensation is included in operating expenses for the periods as follows:

	<b>Three Months Ended June 30, 2015</b>		<b>Six Months Ended June 30, 2015</b>	
	<b>2014</b>		<b>2014</b>	
Compensation cost recognized:				
General & Administrative	\$ 158,437	\$ 1,029	\$ 245,515	\$ 1,999
Research & Development	20,446	1,266	21,893	2,582
	\$ 178,883	\$ 2,295	\$ 267,408	\$ 4,581

The Company uses the Black-Scholes option pricing model to value the options. The table below presents the weighted average expected life of the options in years. The expected life computation is based on the time to option expiration. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of share-based payment units was estimated using the Black-Scholes option pricing model with the following assumptions and weighted average fair values as follows:

	<b>Six Months Ended June 30, 2015</b>
Valuation assumptions:	
Stock price	\$ 1.38 - \$1.56
Exercise price	\$ 1.38 - \$1.56
Expected dividend yield	0 %
Expected volatility	98.9% - 99.2 %
Expected life (in years)	5
Risk-free interest rate	1.37% - 1.57 %



Stock option activity under the 1998, 1999, 2001, 2003, 2006 and 2015 Stock Option Plans (collectively, the “Plans”) during the periods indicated below were as follows:

	<b>Number of Shares Subject to Issuance</b>	<b>Weighted- average Exercise Price</b>	<b>Weighted- average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2014	235,478	\$ 5.95	4.44 years	\$ -
Granted	146,757	1.46	-	-
Forfeited or expired	(10,874 )	20.77	-	-
Exercised	(313 )	3.12	-	-
Outstanding at June 30, 2015	371,048	\$ 3.74	4.43 years	\$ -
Exercisable at June 30, 2015	139,485	\$ 4.70	4.38 years	-

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company’s closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they all exercised their options on June 30, 2015. This amount changes based upon the fair market value of the Company’s stock.

As of June 30, 2015, the Company had 1,861,856 options available for future grants under the Plans.

### Restricted Stock Units

The Company issues Restricted Stock Units (“RSUs”) which are equity-based instruments that may be settled in shares of common stock of the Company. During the six months ended June 30, 2015, the Company issued RSUs to certain directors as compensation. RSU agreements vest with the passage of time. The vesting of all RSUs is contingent on continued board services.

The compensation expense incurred by the Company for RSUs is based on the closing market price of the Company’s common stock on the date of grant and is amortized ratably on a straight-line basis over the requisite service period and charged to general and administrative expense with a corresponding increase to additional paid-in capital. During the three and six months ended June 30, 2015, charges associated with RSUs were \$76,125 and \$105,500, respectively. There were no charges associated with RSUs for the three and six month periods ended June 30, 2014.

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2014	31,807	\$ 3.93	\$ -
Granted	67,678	1.46	-
Vested and Settled in Shares	(44,205)	2.83	-
Outstanding at June 30, 2015	55,280	\$ 1.78	\$ -

As of June 30, 2015, there was \$41,125 of total unrecognized compensation cost related to non-vested share-based compensation arrangements from previously granted RSUs. That cost is expected to be recognized over a weighted-average period of approximately seven months.

As of June 30, 2015, there was \$488,863 of total unrecognized compensation cost, net of estimated forfeitures, related to all unvested stock options and restricted stock units, which is expected to be recognized over a weighted average period of approximately 3.25 years.

Warrants

All previously granted warrants were issued with an exercise price that was equal to or above the fair market value of the Company's common stock on the date of grant. As of June 30, 2015, the Company had 64,981 remaining warrants outstanding exercisable through 2019. No warrants were exercised for the six months ended June 30, 2015.

**8. ISSUANCE OF COMMON STOCK**

On January 14, 2014, the Company completed a public offering of 1,118,375 shares of common stock at a price to the public of \$3.60 per share. The number of shares the Company sold includes the underwriters' full exercise of their over-allotment option of 145,875 shares. Net proceeds to the Company from the offering, before expenses, were approximately \$3,644,000. The underwriter received a warrant to purchase 48,625 shares of common stock, at the price of \$4.48 (125% of the price of the shares sold in the offering), which will be exercisable one year after the date of the offering and will expire on the fifth anniversary of that offering.

On April 10, 2014, the Company completed a public offering of 327,125 shares of common stock at a price to the public of \$6.40 per share. Net proceeds to the Company from the offering, before expenses, were approximately \$2,094,000. The underwriter received a warrant to purchase 16,356 shares of common stock, at a price of \$8.00 per share (125% of the price of the shares sold in the offering), which will be exercisable one year after the date of the offering and will expire on the fifth anniversary of that offering. The underwriter and certain directors and officers waived the right to exercise an aggregate of 93,407 stock options and warrants until a future date yet to be determined.

On January 14, 2015, the Company announced the closing of an underwritten public offering of 4,857,143 shares of its common stock, offered to the public at \$1.75 per share. Net proceeds to the Company from this offering were approximately \$7,845,000 after deducting underwriting discounts and commissions paid by the Company. Direct offering costs totaling approximately \$214,000 were recorded as a reduction to the net proceeds on the consolidated statement of stockholders' equity.

## 9. LEGAL PROCEEDINGS

The Company is not aware of any infringement by the Company's products or technology on the proprietary rights of others.

The Company is not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on its business.

## 10. COMMITMENTS AND CONTINGENCIES

In March 2015, the Company entered into an agreement with public relations firm. The agreement is for an initial twelve month periods, and can be terminated with a 30 day written notice. The monthly contract fee is \$8,000 per month.

## 11. RELATED PARTY TRANSACTIONS

Mobilisa leases office space from an entity that is wholly-owned by two former directors, who are also former members of management. The Company entered into a 10-year lease for the office space ending in 2017. The annual rent for this facility is currently \$85,498 and is subject to annual increases based on the increase in the CPI index plus 1%. The Company is a guarantor of the leased property. For the three and six months ended June 30, 2015, total rental payments for this office space were \$23,710 and \$47,012, respectively. For both the three and six months ended June 30, 2014, total rental payments for this office space were \$22,075 and \$44,150, respectively.

On September 30, 2014, the CEO and a Senior Vice President (collectively, the "Executives"), who were also board members, retired from the Company and simultaneously resigned from the board of directors. In connection with the separation, the Company entered into a separation and consulting agreement with the Executives. Included as part of

the arrangement, the Company committed to payments totaling \$587,500 to be made over a period of 15 months. In exchange for the consideration, the Executives agreed not to compete with the Company, solicit any employee, contractor or consultant of the Company to terminate employment or contractual relationship with the Company, as well refrain from other activities, as defined in the agreement. There is a renewal option contained in each agreement, which must be mutually agreed by for an additional nine month period commencing on January 1, 2016 in exchange for monthly payments of \$27,500. At September 30, 2014, the Company recorded the future payments of the agreement as a liability and as a non-compete intangible asset totaling \$587,500. The costs of the non-compete will be amortized over the 15 month term of the agreement. For the three and six months ended June 30, 2015, amortization expense recognized was \$117,500 and \$235,000, respectively. The Company made payments under this agreement of \$87,500 on October 1, 2014 and monthly payments of \$27,500 in October, November and December 2014. The Company also made a payment of \$87,500 on January 1, 2015 and monthly payments of \$27,500 in each of the six months from January 2015 through June 2015 and will make six monthly payments of \$27,500 beginning on July 1, 2015 as a result of entering into the agreements with the Executives.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

References made in this Quarterly Report on Form 10-Q to “we,” “our,” “us,” “Intellicheck,” or the “Company,” refer to Intellicheck Mobilisa, Inc.

The following discussion and analysis of our financial condition and results of operations constitutes management’s review of the factors that affected our financial and operating performance for the three and six month periods ended June 30, 2015 and 2014. This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report and in our Annual Report on Form 10-K, for the year ended December 31, 2014. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mobilisa, Inc. (“Mobilisa”) and Positive Access Corporation (“Positive Access”).

### **Overview**

Intellicheck Mobilisa, Inc. (the “Company” or “Intellicheck”) is a leading technology company that is engaged in developing and marketing wireless technology and identity systems for various applications including mobile and handheld access control and security systems for the government, military and commercial markets. Products include the Defense ID and Fugitive Finder systems, advanced ID card access control products currently protecting military and federal locations, and ID-Check, a patented technology that instantly reads, analyzes, and verifies encoded data in magnetic stripes and barcodes on government-issue IDs from U.S. and Canadian jurisdictions designed to improve the Customer Experience for the financial, hospitality and retail sectors. Wireless products include enterprise wireless system installation in rural areas of the country.

### **Critical Accounting Policies and the Use of Estimates**

The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Company’s financial statements and accompanying notes. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment of goodwill, valuation of intangible assets, deferred tax valuation allowances, allowance for doubtful accounts and the fair value of stock options granted under the Company’s stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

We believe that there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, stock-based compensation, deferred taxes and commitments and contingencies. These policies and our procedures related to these policies are described in detail below.

### *Goodwill*

The excess of the purchase consideration over the fair value of the assets of acquired businesses is considered goodwill. Under authoritative guidance, purchased goodwill is not amortized, but rather it is periodically reviewed for impairment. The Company had goodwill of \$8,101,661 at June 30, 2015. This goodwill resulted from the acquisition of Mobilisa, Inc. and Positive Access Corporation.

As of December 31, 2014, as a result of equity market conditions and the resulting decrease in current market multiples and the Company's stock price, the Company compared the carrying amounts of its reporting unit to its estimated fair value, and determined that the carrying amount exceeded its estimated fair value. The Company calculated the impairment loss by deriving the implied fair value of the goodwill after allocating the estimated fair value of the reporting unit to tangible and intangible assets. The goodwill impairment charge was primarily driven by the deteriorating economic conditions that manifested themselves in the fourth quarter of 2014. The test determined that there was an impairment related to the carrying value of goodwill and the Company recorded an impairment charge of \$4,207,000 in the fourth quarter of 2014. The Company considered whether long-lived assets were also impaired. As required by ASC 360, the Company compared the carrying amounts of the identified asset groups (including goodwill as required by ASC 360 to the undiscounted cash flow of the asset groups and determined that the Company's intangible assets were not impaired.

As of June 30, 2015, the Company concluded as a result of a decline in the Company's stock price during the second quarter of 2015 it was deemed a "triggering" event requiring that goodwill be tested for impairment as of June 30, 2015. As further explained in Note 3, the Company performed the first step of the goodwill impairment test as of June 30, 2015 in order to identify potential impairment by comparing its fair value to its carrying amount, including goodwill. The fair value was determined using certain valuation techniques, including a discounted cash flow analysis and an estimation of an implied control premium, in addition to the Company's market capitalization on the measurement date. Based upon the first step of the goodwill impairment test performed as of June 30, 2015, the Company determined that the fair value of the reporting unit was in excess of its carrying amount by approximately 21% and therefore the second step of the goodwill impairment test was not required.

### *Revenue Recognition and Deferred Revenue*

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is probable, and there is no future Company involvement or commitment. The Company sells its commercial products directly through its sales force and through distributors. Revenue from direct sales of products is recognized when shipped to the customer and title has passed.

Under the provisions of ASC Topic 605-25, "Revenue Arrangements with Multiple Deliverables," for multi-element arrangements that include tangible products containing software essential to the tangible product's functionality and undelivered software elements relating to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

The Company also recognizes revenues from licensing of its patented software to customers. The licensed software requires continuing service or post contractual customer support and performance; accordingly, a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one to three years. Royalties from the licensing of the Company's technology are recognized as revenues in the period they are earned.

The Company also performs consulting work for other companies. These services are billed based on time and materials. Revenue from these arrangements is also recognized as time is spent on the contract and materials are purchased.



Subscriptions to database information can be purchased for month-to-month, one, two, and three year periods. Revenue from subscriptions are deferred and recognized over the contractual period, which is typically three years.

The Company offers enhanced extended warranties for its sales of hardware and software at a set price. The revenue from these sales are deferred and recognized on a straight-line basis over the contractual period, which is typically one to four years.

#### *Stock-Based Compensation*

The Company accounts for the issuance of equity awards to employees in accordance with ASC Topic 718 and 505, which requires that the cost resulting from all share based payment transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for share based payment arrangements and requires all companies to apply a fair value based measurement method in accounting for all share based payment transactions with employees.

*Deferred Income Taxes*

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carry forwards. Deferred tax assets and liabilities are measured using expected tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We have recorded a full valuation allowance for our net deferred tax assets as of June 30, 2015, due to the uncertainty of the our ability to realize those assets.

*Commitments and Contingencies*

We are not currently involved in any legal proceedings that we believe would have a material adverse effect on our financial position, results of operations or cash flows.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

**Results of Operations** (All figures have been rounded to the nearest \$1,000)**Comparison of the three months ended June 30, 2015 to the three months ended June 30, 2014**

Revenues for quarter ended June 30, 2015 increased 91% to \$2,292,000 compared to \$1,197,000 for the previous year.

	<b>Three months ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Identity Systems</b>	\$ 2,023,000	\$ 1,025,000	97
<b>Wireless</b>	269,000	172,000	56
	\$ 2,292,000	\$ 1,197,000	91

The increase in Identity Systems revenue in the second quarter of 2015 is primarily the result of higher commercial identity sales. The increase in Wireless revenue in the second quarter of 2015 is attributable to additional wireless installation projects in progress. Total booked orders increased 28% to \$2.91 million in the second quarter of 2015 compared to \$2.27 million in the second quarter of 2014. As of June 30, 2015, our backlog, which represents non-cancelable sales orders for products not yet shipped and services to be performed, was approximately \$1.05 million compared to \$1.26 million at June 30, 2014. As of December 31, 2014, our backlog was approximately \$530,000.

Our gross profit as a percentage of revenues was 45.4% for the three months ended June 30, 2015 compared to 62.5% for the three months ended June 30, 2014. The decrease in percentage is due to the sales of a particular type of equipment to a commercial customer that typically has a lower margin.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased \$408,000 or 22% to \$2,259,000 for the three months ended June 30, 2015 compared to \$1,851,000 for the three months ended June 30, 2014. Selling expenses decreased by \$102,000 resulting from reduced travel by the sales team. General and administrative expenses increased by \$273,000 principally as a result of as a result of an amortization of the covenant not to compete and higher costs for stock compensation for stock options and restricted stock units issued during the current quarter. Research and development costs increased by \$237,000 principally driven by the Company using a specialized consulting firm for special projects at the beginning of the current quarter.

Interest and other income and interest expense was insignificant in the three month periods ended June 30, 2015 and 2014.

As further explained in Note 6, the Company has a net operating loss carryforward for losses generated in prior years of \$42.9 million and, therefore, no provision for income tax has been made for the three months ended June 30, 2015.

As a result of the factors noted above, the Company generated a net loss of \$1,214,000 for the three months ended June 30, 2015 compared to a net loss of \$1,101,000 for the three months ended June 30, 2014.

**Comparison of the six months ended June 30, 2015 to the six months ended June 30, 2014**

Revenues increased by 43% to \$3,279,000 for the six months ended June 30, 2015 from \$2,289,000 for the six months ended June 30, 2014.

	<b>Six months ended June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>% Change</b>
<b>Identity Systems</b>	\$2,951,000	\$2,099,000	41
<b>Wireless</b>	328,000	190,000	73
	<b>\$3,279,000</b>	<b>\$2,289,000</b>	<b>43</b>

The increase in Identity Systems revenues in the six months ended June 30, 2015, is primarily the result of higher commercial identity sales. The increase in Wireless revenue in the period is attributable to additional wireless installation projects in progress.

Our gross profit as a percentage of revenues amounted to 49.9% for the six months ended June 30, 2015 compared to 64.5% for the six months ended June 30, 2014. The decrease in the percentage is due to the sales of a particular type of equipment to a commercial customer that typically has a lower margin..

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased \$691,000 or 20% to \$4,181,000 for the six months ended June 30, 2015 from \$3,490,000 for the six months ended June 30, 2014. Selling expenses decreased by \$167,000 principally due to reduced travel by the sales team. General and administrative expenses increased by \$556,000 driven by amortization of the covenant not to compete and higher costs for stock compensation for stock options and restricted stock units issued during the current period. Research and development expenses increased by \$302,000 due to the Company using a specialized consulting firm for special projects at the beginning in the second quarter of the current year.

Interest and other income and expense was insignificant in both periods presented.

As further explained in Note 6, the Company has a net operating loss carryforward for losses generated in prior years of \$42.9 million and, therefore, no provision for income tax has been made for the six months ended June 30, 2015.

As a result of the factors noted above, the Company generated a net loss of \$2,516,000 for the six months ended June 30, 2015 as compared to a net loss of \$2,011,000 for the six months ended June 30, 2014.

### **Intangible Assets**

The Company's intangible assets consist of trade names, patents and customer relationships and as a result of a qualitative analysis the Company does not believe there is any indication of impairment.

### **Liquidity and Capital Resources** (All figures have been rounded to the nearest \$1,000)

As of June 30, 2015, the Company had cash and cash equivalents of \$7,904,000, working capital (defined as current assets minus current liabilities) of \$7,545,000, total assets of \$21,444,000 and stockholders' equity of \$18,534,000.

During the six months ended June 30, 2015, the Company used net cash of \$2,495,000 in operating activities compared to net cash used of \$1,643,000 in the six months ended June 30, 2014. Cash used by investing activities was \$197,000 for the six months ended June 30, 2015 compared to \$63,000 for the six months ended June 30, 2014. Cash provided by financing activities was \$7,629,000 for the six months ended June 30, 2015 compared to \$5,247,000 for the six months ended June 30, 2014.

As of June 30, 2015, the Company had no accrued expenses related to board fees for the second quarter of 2015. On September 30, 2014, the CEO and a Senior Vice President (collectively, the “Executives”), who were also board members, retired from the Company and simultaneously resigned from the board of directors. See Note 11, Related Party Transactions for further discussion.

The Company entered into a revolving credit facility with Silicon Valley Bank. On October 15, 2014, this facility was renewed for an additional year through October 15, 2015. The maximum borrowing under the facility is \$2 million. Borrowings under the facility are subject to certain limitations based on a percentage of accounts receivable, as defined in the agreement, and are secured by all of the Company’s assets. The facility bears interest at a rate of U.S. prime (3.25% at June 30, 2015) plus 1.25% - 1.75%, depending on the Company’s cash plus availability. Interest is payable monthly and the principal is due upon maturity on October 15, 2015. As of June 30, 2015, there were no amounts outstanding, and unused availability under the facility was approximately \$358,000.

On January 14, 2015, the Company announced the closing of an underwritten public offering of 4,857,143 shares of its common stock, offered to the public at \$1.75 per share. Net proceeds to the Company from this offering were approximately \$7,845,000 after deducting underwriting discounts and commissions paid by the Company. Direct offering costs totaling approximately \$214,000 were recorded as a reduction to the net proceeds on the consolidated statement of stockholders’ equity.

We currently anticipate that our available cash, as well as expected cash from operations and availability under the current credit facility with Silicon Valley Bank, which has a maturity date of October 15, 2015, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months from the filing date.

We keep the option open 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 markets for our technology, enhance our operating infrastructure, respond to competitive pressures, or 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 obtain such on terms satisfactory to the Company, if at all.

The Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission (“SEC”), which became effective July 6, 2010. 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 units. The aggregate initial offering price of all securities sold by the Company will not exceed \$25,000,000, and, pursuant to SEC rules, the Company may only sell up to one-third of the market cap held by non-affiliate stockholders in any 12-month period. The Company renewed this registration with the SEC on July 31, 2013.

The specific terms of any future offering, including the prices and use of proceeds, will be determined at the time of any such offering and will be described in detail in a prospectus supplement which will be filed with the SEC at the time of the offering.

The shelf registration statement is designed to give the Company the flexibility to access additional capital at some point in the future when market conditions are appropriate.

We are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on our business.

### **Net Operating Loss Carry Forwards**

As of December 31, 2014, the Company had net operating loss carryforwards (“NOL’s”) for federal and New York state income tax purposes of approximately \$42.9 million. There can be no assurance that the Company will realize any benefit of the NOL’s. The federal and New York state NOL’s are available to offset future taxable income and expire from 2018 to 2030, if not utilized. The Company has not yet completed its review to determine whether or not these NOL’s will be limited under Section 382 of the Internal Revenue Code due to the ownership change from the acquisition of Mobilisa, Inc.

## Adjusted EBITDA

The Company uses Adjusted EBITDA as a non-GAAP financial performance measurement. Adjusted EBITDA is calculated by adding back to net income (loss) interest, income taxes, impairments of long-lived assets and goodwill, depreciation, amortization and stock-based compensation expense. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing Intellicheck Mobilisa financial results with other companies that also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as impairments of long-lived assets and goodwill, amortization, depreciation and stock-based compensation, as well as non-operating charges for interest and income taxes, investors can evaluate the Company's operations and can compare its results on a more consistent basis to the results of other companies. In addition, Adjusted EBITDA is one of the primary measures management uses to monitor and evaluate financial and operating results.

Intellicheck Mobilisa considers Adjusted EBITDA to be an important indicator of the Company's operational strength and performance of its business and a useful measure of the Company's historical operating trends. However, there are significant limitations to the use of Adjusted EBITDA since it excludes interest income and expense, impairments of long lived assets and goodwill, stock based compensation expense, all of which impact the Company's profitability, as well as depreciation and amortization related to the use of long term assets which benefit multiple periods. The Company believes that these limitations are compensated by providing Adjusted EBITDA only with GAAP net loss and clearly identifying the difference between the two measures. Consequently, Adjusted EBITDA should not be considered in isolation or as a substitute for net loss presented in accordance with GAAP. Adjusted EBITDA as defined by the Company may not be comparable with similarly named measures provided by other entities.

A reconciliation of GAAP net loss to Adjusted EBITDA follows:

	<b>(Unaudited)</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net loss	\$(1,213,973)	\$(1,101,067)	\$(2,516,086)	\$(2,010,751)
Reconciling items:				
Interest and other - net	(4,273 )	432	(29,423 )	655
Depreciation and amortization	230,702	146,456	571,023	343,794
Stock-based compensation costs	178,883	2,295	267,408	4,581
Adjusted EBITDA	\$(808,661 )	\$(951,884 )	\$(1,707,078)	\$(1,661,721)

## Off-Balance Sheet Arrangements



We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities. Other than Mobilisa's guarantee on the mortgage of the property it leases from a related party as disclosed in Note 11, we have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

### **Forward Looking Statements**

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenues, loss from operations and cash flow. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with any discussion of future operating or financial performance identify forward-looking statements. 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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains cash in one financial institution. The Company performs periodic evaluations of the relative credit standing of this institution.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and our Chief Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. As of June 30, 2015, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e) and 15d-15(e), were effective.

Our disclosure controls and procedures have been formulated to ensure (i) that information that we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 were recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) that the information required to be disclosed by us is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

#### **Changes in Internal Controls over Financial Reporting**

There was no change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter of 2015 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **Part II - Other Information**

### **Item 1. LEGAL PROCEEDINGS**

None.

### **Item 1A. Risk Factors**

Current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

While a significant portion of our business is with the U.S. government, our operating results may be impacted by the overall health of the North American economy. Our business and financial performance, including collection of our accounts receivable, realization of inventory, recoverability of assets including investments, may be adversely affected by current and future economic conditions, such as a reduction in the availability of credit, financial market volatility, recession, etc.

Our operations and financial results are subject to various other risks and uncertainties that could adversely affect our business, financial condition, results of operations, and trading price of our common stock. Please refer to our annual report on Form 10-K for fiscal year 2014 for information concerning other risks and uncertainties that could negatively impact us.

### **Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

### **Item 3. DEFAULTS UPON SENIOR SECURITIES**

None

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

None

**Item 6. Exhibits**

(a) The following exhibits are filed as part of the Quarterly Report on Form 10-Q:

Exhibit No. Description

31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32	18 U.S.C. Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2015 Intellicheck Mobilisa, Inc.

By: */s/ William Roof*  
William Roof, PhD, MBA  
Chief Executive Officer

By: */s/ Bill White*  
Bill White  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

